

闖難關登高原
凝眾志拼前景
Unity Leads to Summit



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Corporate Information

DIRECTORS

Non-Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman*)
Mr. KAN Chung Nin, Tony
Ms. IP Kit Yee, Kitty

Executive Directors

Ms. TANG Mei Lai, Metty
Ms. WONG Ching Yi, Angela
(*Deputy Chairman and
Managing Director*)
Mr. WONG Tsz Wa, Pierre
(*Managing Director*)
Mr. CHEUNG Kam Shing

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis
Mr. SUN Tak Chiu
Mr. CHAN Nim Leung, Leon
Mr. WONG San

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis
(*Committee Chairman*)
Mr. SUN Tak Chiu
Mr. CHAN Nim Leung, Leon
Mr. WONG San
Mr. KAN Chung Nin, Tony

REMUNERATION COMMITTEE

Mr. SUN Tak Chiu
(*Committee Chairman*)
Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. KOO Fook Sun, Louis
Mr. CHAN Nim Leung, Leon
Mr. WONG San
Mr. KAN Chung Nin, Tony

NOMINATION COMMITTEE

Mr. KOO Fook Sun, Louis
(*Committee Chairman*)
Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. SUN Tak Chiu
Mr. CHAN Nim Leung, Leon
Mr. WONG San
Mr. KAN Chung Nin, Tony

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela
Mr. SZE Ka Ming

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
OCBC Wing Hang Bank Limited

HONG KONG LEGAL ADVISER

Iu, Lai & Li
Rooms 2201, 2201A & 2202
22nd Floor, Tower I
Admiralty Centre
No. 18 Harcourt Road
Hong Kong

BERMUDA LEGAL ADVISER

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services
(Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

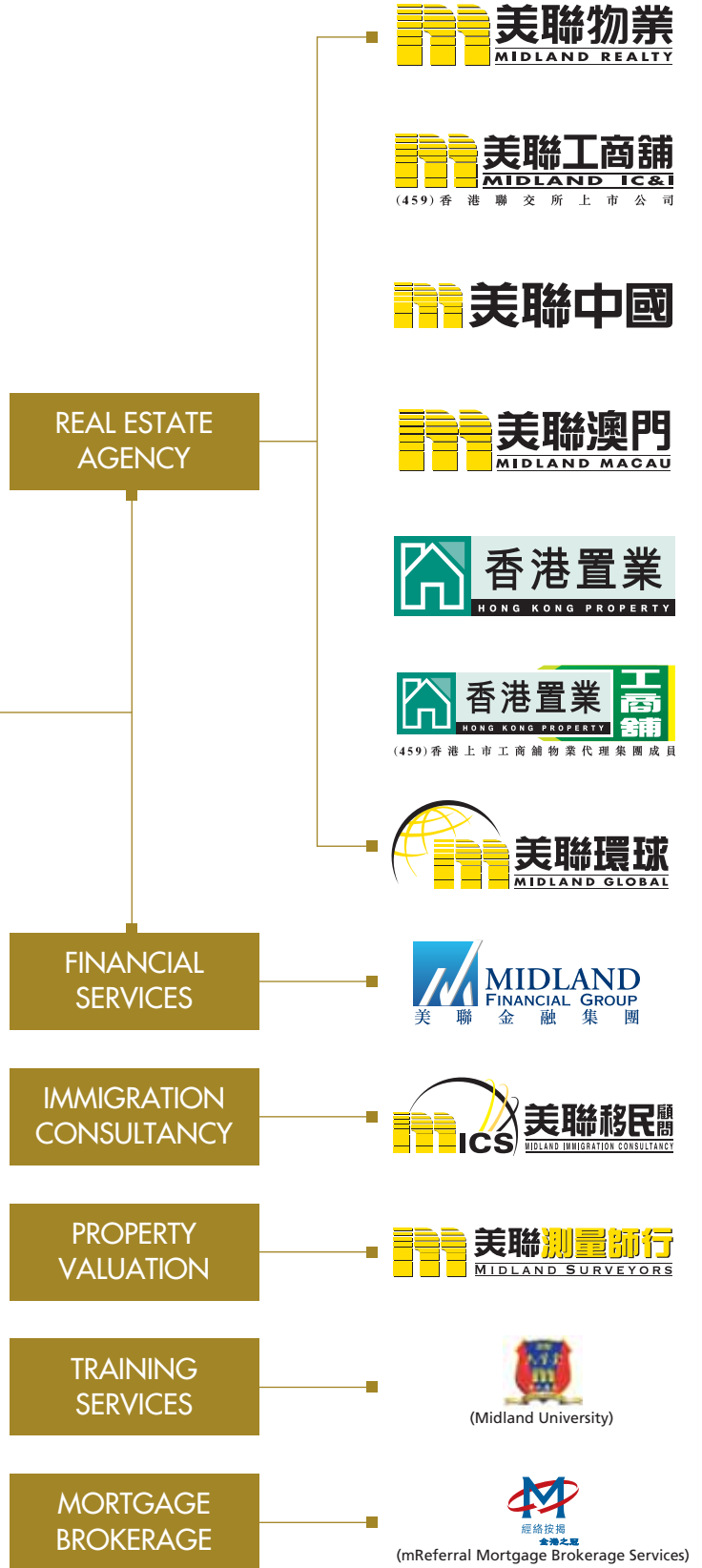
WEBSITE

www.midland.com.hk

STOCK CODE

1200

Organisation Chart



Appendix to Organisation Chart



Board of Directors: Front row from left to right: TANG Mei Lai, Metty, WONG Kin Yip, Freddie
 Back row from left to right: IP Kit Yee, Kitty, CHAN Nim Leung, Leon, WONG San, KOO Fook Sun, Louis, WONG Ching Yi, Angela, WONG Tsz Wa, Pierre, KAN Chung Nin, Tony, SUN Tak Chiu, CHEUNG Kam Shing

Strategic Business Units

Business Description



Provision of residential property agency services in Hong Kong



Provision of non-residential property agency services in respect of industrial, commercial and shop properties in Hong Kong



Provision of property agency services, project planning, commercial property management and marketing and sales planning in the PRC



Provision of property agency services, surveying, project planning, leasing and property management services in Macau



Provision of residential property agency services and commercial property agency services



Provision of overseas property projects' marketing services in the PRC, Hong Kong and Macau



An affiliate of the Company, providing one-stop independent financial planning consultancy services with various wealth management products



Provision of immigration consultancy services in Hong Kong and Macau



Provision of professional surveying consultancy services including valuation advisory, project and development, sales and marketing, tender and auction



Group's training centre with the vision to strengthen the professionalism of employees, to lead the market as well as to cultivate elite people for the industry



A joint venture with a major developer, offering free mortgage referral services as well as provision of related information

Major Events and Awards for the Year



Annual Dinner 2016 “One Team, One Dream”

The Annual Dinner 2016 of the Group was held at the Hong Kong Convention and Exhibition Centre. The theme of this year’s annual dinner was “One Team, One Dream”, meaning that Midland would build convergence within the team and under the leadership of the management, the staff would be united and strive to fulfill our dream(s) in the coming year. The highlight of the annual dinner was the annual “Award Presentation of Real Estate Agents”. Various major property developers not only attended the event to show their support but also joined the Group’s management to present a number of year-end awards to staff with outstanding performance. This shows the sincere cooperation between different parties as well as the continuation to strive for a win-win situation for all.

Series of events to celebrate the Group’s 20th anniversary of its listing

To celebrate the Company’s 20th anniversary of its listing on the Hong Kong Stock Exchange, the Group put double-page commemoration publication in a number of newspapers with a review of its corporate history and prospect for its future development. Property developers, media companies, business partners in the legal and finance industries as well as veteran investors sent their congratulatory messages through advertisements too. In addition, the Group also held a series of celebration events and reward schemes to reward clients and share the Group’s success.



Initiating “Internet Plus” innovation project

To ride on the innovation and technology trend, the Group initiated the “Internet Plus” innovation project which involves revamping its professional back office team. The Digital Business Development and Operation Department and Property Data and Research Centre were newly established. These initiatives aim to expand the Group’s business on its online platform, as well as enhance the online instant interactive and personalised services to offer all-round services to its clients.



Viewpoints on market showed authority in industry

The Group closely monitors the pulse of the market. Through press conferences on the property market, in-depth interviews, features stories, instant reaction and analytical articles, etc., it issued unique property insight, hence outlined the trend of the property market and showed its leadership role in the industry.



Major Events and Awards for the Year

“2015 Best Professional Services Award”

The Group’s elite team always works closely with property developers. For the property projects of Emperor Group in Hong Kong and mainland China, Midland’s team achieved outstanding performance in both sales and leasing. The team received the “2015 Best Professional Services Award” and souvenirs from Emperor Group’s management including its Chairman Dr. YEUNG Sau Shing, Albert as great appreciation of the outstanding performance of the team on such property projects.



“HK\$500,000 Down Payment For You” campaign

The Group launched a large-scale “HK\$500,000 Down Payment For You” online promotional campaign, which offered a grand prize of HK\$500,000 down payment for the winner. Meanwhile, the Group also launched another campaign “Non-stop Surprise” which gave out a number of trendy home electric appliances. During the one-month campaign, with a series of promotional activities and plentiful online and offline promotions, it had drawn enthusiastic response. The installation counts for Midland Realty’s mobile app increased drastically and the number of followers on Midland Realty’s official Facebook fan page also rose significantly.



Strategic deployment on a chain of branch expansion

The Group deployed its location strategy in local districts for its branches and celebrated the grand opening of its branches. Representatives of various major property developers were invited to attend the ribbon cutting ceremony when those branches opened. The Group will continue to make flexible plans in response to market situation.



Strengthening online information platforms

The Group has revamped its Midland Realty website and has improved the online property search engine. It also launched the third generation “Midland Realty App”, and a website called “PropNews” (www.propnews.com.hk), with the objective of fully strengthening its electronic platforms and improving its social media platforms to enhance client’s experience of searching for properties and property information online.



Ms. IP Kit Yee, Kitty re-designated as Non-Executive Director

Having served the Group for more than 32 years, Executive Director Ms. IP Kit Yee, Kitty has been re-designated as the Company’s Non-Executive Director. With her rich experience in the industry, Ms. IP continues to offer advice to the Group. The board of directors highly commended the extraordinary contribution of Ms. IP. The management and department heads sent their best wishes to Ms. IP.



Outstanding performance in first-hand property development projects

In response to market situation, the Group introduced a number of incentive measures targeting the frontline staff to boost the team’s performance in order to grasp the opportunities in the first-hand property market. The team continuously achieved outstanding performance in various new property development projects with high recognition from property developers.



Major Events and Awards for the Year

Implementing sales strategies on luxury home market

The Group has appointed the ambassadors of Midland Deluxe Home to expand its business in the luxury home market by attracting more young degree holders with potential to join the luxury home team and publishing the newly Midland “Luxury Property Price Chart” in the brand-new quarterly property magazine “Property Insight”.



District seminars boosting the influence in local community

A series of district seminars, which focused on the characteristics of individual districts, was organized. Speakers including experts and celebrities, discussed the potential of the property market and the advantages of development in those districts from various perspectives. The seminars received overwhelming responses and further strengthened the penetration of the brand.



Active participation in exchange activities boosting industry development

The Group was concerned about the development of the industry and has spared no effort in advocating exchanges with industry participants. The Group has been actively taking part in property exhibitions, exchange activities and etc, to share information and viewpoints on the property market with local and overseas fellow companies, enhancing communications and creating opportunities for cooperation.



Talks on property and financial market

To address market needs, the Group joined hands with experts from different professions and celebrity hosts in organising a number of large-scale talks on the property and financial market. They shared with participants their views on investment and property market. The talks enjoyed a good reputation and the Group continues its mission to educate the public about the property market.



“Elite Club” organised a wide range of activities

A wide range of activities was held by the “Elite Club” for staff, which include large-scale gathering, boat trip, wine-tasting event, visit to jewellery fair, visits to charitable organisations and etc. Staff was given opportunities to cheer for each other and boost their morale, exchange ideas and upgrade themselves. It is the club’s most eventful year.



Establishment of long-serving employee club

The Group has set up the long-serving employee club, namely “Club Seniority”. Employees who have served 10 years or more in the Group are entitled to join the club and can enjoy various benefits to recognise their loyal services to the Group.



Major Events and Awards for the Year

“Best Investor Relations Company, Small Cap”

As the first local property agency listed on the Hong Kong Stock Exchange, the Company is known for excellent corporate governance and was awarded the “Best IR Company, Small Cap” by the Hong Kong Investor Relations Association. The Company is the only company in the property agency industry to win this award, which shows its value as a listed company.



“Most Professional Property Agency (Hong Kong)” and “Most Professional Property Agency Website”

Midland Realty has clinched two grand awards – “Most Professional Property Agency (Hong Kong)” and “Most Professional Property Agency Website” – granted by GoHome. The awards show the Group’s proven excellence in its human resources and technology as well as its one-stop professional services, which are renowned within the industry.



“PROchoice Award”

The Group values its clients and keeps launching new services with the aim of offering quality services and experience to clients. It is the only property agency that was awarded the Capital Weekly “PROchoice Award – Property Agency”.



“Outstanding Collaboration Partner of Developers – Property Agency”

The Group cooperates closely with property developers. In the “CAPITAL The Outstanding Developer Awards 2015” jointly organised by Capital and Capital Weekly magazine, Midland Realty was awarded the “Outstanding Collaboration Partner of Developers – Property Agency”.



“Distinguished Salesperson Award”

Twelve outstanding frontline staff of the Group won the 47th “Distinguished Salesperson Award” organised by the Hong Kong Management Association. Midland Realty achieved the 100% winning record for three consecutive years. The Group stands out in the industry and its achievement in staff training and development has again been recognised.



“Midland Club” launched monthly lucky draw with overseas trips as rewards

“Midland Club” organised a series of activities. Apart from monthly lucky draw which is our three-month heavyweight project and offered winners overseas trips to different places across the globe, the club also targeted the needs of its members and held movie appreciation event, workshops on different lifestyle topics and etc. so that members could live a quality and positive life.



Major Events and Awards for the Year

“Hong Kong Outstanding Enterprises 2015”

The Group was awarded the “Hong Kong Outstanding Enterprises 2015” in the category of Main Board Companies in “Hong Kong Outstanding Enterprises Parade 2015” organised by the Economic Digest. This is the third time the Group was awarded this title, attesting to its leading position in the industry once again.



“Award for Excellence in Training and Development (Development Category) – Excellence Award”

The Group put a lot of effort and resources in staff development. It established “Midland University” – a platform offering professional and up-to-date training to and assisting the development of practitioners in the industry. Midland contributes greatly to the development of the industry and the Hong Kong Management Association presented the “Award for Excellence in Training and Development (Development Category) – Excellence Award” to the Group.



“ISO 9001:2008” Certification

“Midland University” offers professional real estate agency-related training courses to the industry. The quality of its courses keeps improving through regular assessments. It received the “ISO 9001:2008” certification from the International Organization for Standardization for the 12th consecutive year, which is renowned in the industry.



Chairman's Statement

Business Review

For the year ended 31 December 2015, Midland Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded a loss attributable to equity holders of approximately HK\$99 million as compared to a profit attributable to equity holders of approximately HK\$64 million for the year ended 31 December 2014. The Group's results for the year ended 31 December 2015 were adversely affected by, among other factors:

1. drop in the residential property market sales activities in Hong Kong; and
2. keen competition in the property agency industry in both mainland China and Hong Kong which also led to increase in operating costs.

In the first few months of 2015, the buoyant stock market once triggered positive sentiment in the property market. In the first half of last year, the volume and value of sales registrations of residential property in Hong Kong recorded a year-on-year growth of 3.8% and 21.7% respectively[#]. However, the residential property sector took an abrupt turn in the second half of 2015 when the stock market switched from bull to bear.

Policies taking toll

After the financial tsunami, the Government has been actively introducing various types of property cooling measures. First, the mortgage ceiling for property transactions valued at HK\$20 million or above was lowered from 70% to 60% in October 2009. Then, the Hong Kong Monetary Authority ("HKMA") extended the restriction to property transactions worth HK\$12 million or above. When these two measures failed to achieve the desired result, the Government introduced Special Stamp Duty ("SSD") in October 2010. Since property prices had not stopped rising, the Government further brought in Buyer's Stamp Duty ("BSD") and Double Stamp Duty ("DSD") in 2012 and 2013 respectively. In the meantime, HKMA tightened the mortgage lending requirements for several times.

Despite the implementation of tough policies, property prices still doubled in the six-year period from October 2009. The consolidation, however, has been taking place at the sales activity front (please refer to the table on pages 12 and 13 for details).

[#] The residential market activity in the first half of last year is reflected by the figures of sales registrations of residential property in the six-month period from February to July because, in general, there is a one-month time-lag involved in the process of property registrations.

In the second half of 2015, the slowdown in economic growth in mainland China, depreciation of Renminbi and sharp correction in equities market aroused fear among potential buyers and sellers. For a start, transaction volume began to shrink in last July. Then, property prices started to correct in last October. However, as demand was suppressed by tough policies, price correction failed to stimulate sales activity and the secondary market was virtually frozen. In the second half of last year, even developers were unable to sell as many units as in the first half.

Outlook

Tough outlook

The macroeconomic conditions are extremely tough. In recent years, the world economy has been battered by various kinds of worries such as Euro Debt Crisis and lack of growth. In 2016, deep drop in the oil prices and slowdown of the mainland China economy have further shaken the market confidence which has already been very fragile.

In the local market, the corrections of the stock market and property market have weakened the consumption and investment sentiment. Furthermore, the strengthening of US dollars has posed strong threat to the retail industry. Last year, tourist arrivals to Hong Kong fell by 2.5% compared with the solid growth of 12% in 2014. During the Lunar New Year holidays, mainland tourist arrivals to Hong Kong were down 12%, significantly worse than that in the corresponding period in 2015. However, a point worth mentioning is that mainland tourist arrivals to Macau grew 4.3% over the Lunar New Year holidays notwithstanding that the exchange rate between Hong Kong dollars and Macao patacas has been very stable. Obviously, Hong Kong retail industry is gradually losing competitiveness. Not only did fewer mainlanders come to Hong Kong, more Hong Kong residents travelled abroad. Last year, the number of Hong Kong residents who departed Hong Kong by air grew by 13%. The local retail sector has been showing signs of weaknesses, and in 2015, total retail sales in Hong Kong declined 3.7%. Prices and rents for retail properties have declined.

Chairman's Statement

Hong Kong Disneyland posted financial loss in 2015, which is another concrete evidence of the slowdown of the tourism and retail sectors. These two sectors are expected to further deteriorate after the opening of Shanghai Disneyland in June 2016. They have been one of the important pillars of the local economy. If they further weaken, the business environment in Hong Kong would inevitably be hard hit.

In the near term, the local economy will be subject to the economic development in mainland China, and the reform in Renminbi has resulted in rising market volatility in China and Hong Kong. However, we are confident that, in longer term, economic stimulus together with economic reforms can support a sustainable and stable growth. The "Belt and Road" initiative will also provide new opportunities to the local economy.

It is expected that the consolidation of the property market will be relatively long. The grim external and local economic conditions will continue to put pressure on the Hong Kong property sector. Home prices have begun to correct since the final quarter of 2015. In terms of transaction volume, the secondary residential market has been even quieter than that in the period of Severe Acute Respiratory Syndrome in 2003. In theory, the self-adjusting mechanism of the property market will restore market activity as property prices go downwards. However, various demand curb measures have led to market abnormality. If the economy worsens and unemployment rate goes up, property prices correction may be hard to contain and the problem of negative equities in property value may return with significant adverse impact and cause the economy to suffer heavily as a whole.

Urge for relaxation of policies

In our view, the Government should start considering loosening some tough measures such as abolishing DSD. If the Government does so, demand for upgrading flats is likely to be released and liquidity of the property market can be boosted, and the property market can avoid a man-made crisis. Since supply is rising and economy is losing steam, downtrend of property prices is unlikely to be reversed even if one to two tough measures are relaxed. However, policy loosening may

help alleviate the shock of property prices and help stabilize the overall business environment in Hong Kong. As a matter of fact, the mainland government has already loosened some housing measures so as to reinvigorate the economy. Therefore, it is recommended that Hong Kong Government should not act behind the curve. Property prices fell by about 9% from September 2015 to January 2016 and procrastination in policy change may lead to a colossal damage to the economy. In our view, the mini-recovery taking place recently is likely to be a short-term rebound stemming from a low comparative base. The market fundamentals have not shown any improvement.

The Group has dealt with market downturns for a number of times before but we have always become stronger when the market gets better. Undoubtedly, managing the number of staff and scale of branch network has become much more difficult as the competitive environment has changed. Moreover, the global and local economic headwinds are impacting every participant in the industry. However, we have strived to deal with the challenges. We are confident that the Group can leverage on its solid foundation to strengthen its business platform. The Group also believes that the players without a long-term viable business model will suffer the most and will be knocked out gradually.

Admittedly, this era of policy intervention has made the business operations of the estate agency industry very difficult. I, as the founder and Chairman, shall continue to work closely with members of the board of directors of the Company (the "Board") to enhance the efficiency and effectiveness of the Group.

Chairman's Statement

Impacts of the administrative measures on the property market:

Announcement Date	Demand-side Management Measures	Period	Average Monthly Secondary Residential Transaction Volume
Oct 2009	60% financing for high-end properties: For residential properties valued at HK\$20 million or above, the loan-to-value ("LTV") ratio will be capped at 60%	Nov 2009 to Aug 2010	9,943
Aug 2010	Tightening of mortgage financing: Applying a maximum LTV ratio of 60% to properties with a value at or above HK\$12 million	Sep 2010 to Nov 2010	10,069
	Stress test: Banks should stress-test mortgage applicants' repayment ability, assuming an increase in mortgage rates of at least two percentage points, and limit the stressed debt servicing ratio to a cap of 60%		
Nov 2010	SSD: The Government amended the Stamp Duty Ordinance by introducing, on top of the ad valorem stamp duty ("AVD"), an SSD on residential properties of all values at the point of resale if the properties are acquired on or after 20 November 2010 and resold within 24 months after acquisition	Dec 2010 to Jun 2011	8,330
	Tightening of mortgage financing: Lowering the maximum LTV ratio for medium price and luxury residential properties		
Jun 2011	Tightening of mortgage financing: Further lowering the maximum LTV ratio for medium price and luxury residential properties	Jul 2011 to Oct 2012	5,222
Sep 2012	Another round of tightening of mortgage financing: HKMA issued guidelines to banks on tightened underwriting criteria for loans to borrowers with multiple property mortgages and a newly introduced ceiling for loan tenors	Nov 2012 to Feb 2013	4,714
Oct 2012	Toughening the imposition of SSD: Amending the Stamp Duty Ordinance to adjust the duty rates and extend the coverage period in respect of the SSD, and introduce a BSD on residential properties acquired by any person except a Hong Kong Permanent Resident		

Chairman's Statement

Announcement Date	Demand-side Management Measures	Period	Average Monthly Secondary Residential Transaction Volume
Feb 2013	DSD: Increasing the rates of AVD by introducing DSD applicable to both residential and non-residential properties	Mar 2013 to Feb 2015	3,588
	Strengthening the stress test: In stress-testing mortgage applicants' repayment ability, banks are required to assume a mortgage rate increase of 300 basis points, instead of the 200 basis points		
Feb 2015	Tightening of mortgage financing: The maximum LTV ratio for self-use residential properties with value below HK\$7 million will be lowered by a maximum of 10 percentage points	Mar 2015 to Dec 2015	2,972

Appreciation

On behalf of the Board, I am thankful to our shareholders, customers and staff who have provided their support to the Group during this challenging period.

WONG Kin Yip, Freddie

Chairman

Hong Kong, 23 March 2016

Strategic Review and Planning

Constrained by keen competition

The Group's loss, to a certain extent, reflects the woes facing the estate agency industry. Among other factors, high rental costs and low transaction volume were main blows to our profitability. Recent data point to the seriousness of the problems. In the final quarter of 2015, secondary residential sales registrations only amounted to around 5,839 units, the lowest since this figure was first tracked in 1996. However, competition continued to intensify and the other market players still added new branches. Despite the weakness of the retail sector, rents of our local branches still went up in average upon renewal during the reporting year.

According to the figures provided by the Estate Agents Authority, salesperson's and estate agent's licences held by individuals reached a new all-time high of 37,568 as at 31 December 2015.

In this challenging period, the Group revised its plans for expansion of our Hong Kong operation according to the market condition in the second half of 2015. Since the property market in the tier-1 cities of mainland China was robust, the scale of our branch network in mainland China grew mildly.

Ride against the tide Build a better future

Despite the property market switching from bull to bear, estate agency industry has not yet consolidated. Competition among estate agents is still keen but there are signs that the expansion of the industry is likely to stall for a while. Rental cost pressure is expected to moderate when the overall local retail sector weakens, but the degree of rental reductions in estate agency industry still far lags behind the correction of property market. The Group has already stepped up its efforts in containing rental expenses and is prepared to engage in serious negotiations with landlords.

The Group has already initiated cost efficiency improvement measures such as network optimization and staff performance enhancement program, which will have positive impact on our cost base in the future. At the same time, the Group has highlighted information technology development as one of its major initiatives. The Group has placed great emphasis on customers' experience which has permeated our marketing strategies. The Group intends to build its relationship with customers via multi-pronged approach. Apart from physical branch network and traditional marketing campaigns, the Group has emphasized on the application of social media for the purpose of communicating with potential clients.

The Group will continue to uplift the value of every business unit, adhere to the strategy of resources optimization and strengthen synergy internally so as to further enhance its competitiveness. The Group has begun to restructure for simplification. The non-core business units such as overseas properties, Macau, and immigration consultancy have been consolidated. Meanwhile, the Group will continue to pay attention to market needs and listen attentively to customers' feedback.

WONG Ching Yi, Angela

Deputy Chairman and Managing Director

Hong Kong, 23 March 2016

Profile of Directors

Non-Executive Directors

Mr. WONG Kin Yip, Freddie (Chairman)

aged 66, is the Founder, Chairman and Non-Executive Director of the Company. He is also a member of the Remuneration Committee and Nomination Committee of the Company, and leads the Chairman's Office.

Mr. WONG established Midland Realty in 1973 and has been the Chairman of the Company since 1993. He is responsible for the leadership of the Board, overseeing the overall corporate directions and corporate strategies of the Group, and driving the Board and the individual directors to perform to the best of their ability.

Mr. WONG has over 42 years of experience in the real estate agency business in Hong Kong, China and overseas. He is a pioneer in the mortgage brokerage business and introduced mortgage referral services to Hong Kong. Mr. WONG is the vice president of The Association of Hong Kong Professionals, and the chairman and permanent director of Midland Charitable Foundation Limited. In addition, Mr. WONG was a member of The Shenzhen Committee of the Chinese People's Political Consultative Conference from 2005 to 2010, a member of the Estate Agents Authority in Hong Kong from 2006 to 2010, and also a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for the years of 2006 and 2007.

Mr. WONG is a director of Sunluck Services Limited and Southern Field Trading Limited which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He is the spouse of Ms. TANG Mei Lai, Metty, the Executive Director of the Company, and the father of Ms. WONG Ching Yi, Angela, the Deputy Chairman, Managing Director and Executive Director of the Company.

Mr. KAN Chung Nin, Tony

aged 65, LL.B., P.C.L.L., BBS, JP, has been the Non-Executive Director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company since March 2014. He is the Founder and Senior Consultant of Tony Kan & Co., Solicitors & Notaries, practising as a Solicitor of the Supreme Court of Hong Kong since 1982. He is also a Solicitor of the Supreme Court of England and Wales, a Barrister and Solicitor of the Supreme Court of the Australian Capital Territory, as well as Advocate and Solicitor of the Supreme Court of the Republic of Singapore. He is also a China Appointed Attesting Officer and a Notary Public. Mr. KAN is currently a Committee Member of the National Committee of the Chinese People's Political Consultative Conference and was a Committee Member of the Guangdong Committee of the Chinese People's Political Consultative Conference for three consecutive terms. Mr. KAN had been an Elected Member of the Sha Tin District Council from 1985 to the end of 2011. He had also been an Elected Member of the Regional Council and he was elected as Vice Chairman of the Council in July 1997 until its dissolution at the end of 1999.

Since 1988, Mr. KAN has served as a Councillor of Heung Yee Kuk in the New Territories and is currently an Ex Officio Member and Executive Committee Member of Heung Yee Kuk. Mr. KAN is serving and has served on various advisory committees for the government, including Town Planning Board Member. He is currently a Committee Member of the Hong Kong Housing Authority and a Member of the Election Committee of the Chief Executive of Hong Kong Special Administrative Region. Mr. KAN has been appointed as an Independent Non-Executive Director of Man Wah Holdings Limited since May 2013, a company listed in Hong Kong. Mr. KAN has been appointed as an Independent Non-Executive Director of Nameson Holdings Limited since 1 February 2016, which will be listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2016. He was Non-Executive Director of the Company and subsequently became the Independent Non-Executive Director of the Company during the period from October 1994 to September 2004.

Ms. IP Kit Yee, Kitty

aged 56, has been the Non-Executive Director of the Company since November 2015.

Ms. IP has been serving the Group since 1983. Ms. IP was the Executive Director of the Company from June 1995 to September 2004 and from October 2008 to November 2015 and was the Executive Director of Midland IC&I Limited ("Midland IC&I"), the Company's listed subsidiary, from April 2007 to October 2008. Ms. IP has extensive experience in property administration, real estate agency and human resources administration and management.

Executive Directors**Ms. TANG Mei Lai, Metty**

aged 60, has been the Executive Director of the Company since December 2005. She was the Deputy Chairman of the Company from December 2005 to March 2011.

Ms. TANG joined the Group in 2004 and is responsible for the overall corporate development as well as investment strategy and management of the Group.

Ms. TANG has been the Chairman of Midland IC&I since September 2008. She had been an Executive Director and the Managing Director of Midland IC&I since September 2008 and October 2008 respectively before her re-designation as Non-Executive Director of Midland IC&I in December 2014.

Ms. TANG is currently the director, president and honorary member of Midland Charitable Foundation Limited.

Ms. TANG is a director of Sunluck Services Limited and Southern Field Trading Limited which are substantial shareholders of the Company within the meaning of Part XV of the SFO. She is the spouse of Mr. WONG Kin Yip, Freddie, the Chairman and Non-Executive Director of the Company, and the mother of Ms. WONG Ching Yi, Angela, the Deputy Chairman, Managing Director and Executive Director of the Company.

Profile of Directors

Ms. WONG Ching Yi, Angela

aged 35, has been the Executive Director of the Company since March 2008 and has been the Deputy Chairman of the Company since March 2011, and had been the Deputy Managing Director of the Company since August 2011 before her re-designation as Managing Director of the Company in December 2014. She is a member of the Remuneration Committee, Nomination Committee of the Company and the Chairman's Office.

Ms. WONG is responsible for formulating, overseeing and implementing the overall corporate strategies and policies of the Group as well as the corporate development and governance of the Group. She is also responsible for the overall management and sales operations of the Group, and oversees other operations ranging from finance, professional services, investor relations, information technology to corporate communications. Ms. WONG plays a leading role in the Chairman's Office.

Ms. WONG has solid experience in real estate industry and has been a key contributor to the growth and development of the Group. She has demonstrated strong leadership and has been instrumental in leading the Group to promote its strategies and meet challenges in the increasingly competitive environment. She introduced a series of strategic initiatives, which has improved the operating efficiency of the Group as well as strengthened the market position of the Group.

Ms. WONG is also a director of various members of the Group and a director of mReferral Corporation Limited, a joint venture company of the Group with a leading developer. She is a director and the vice president of Midland Charitable Foundation Limited. Ms. WONG has also been the Executive Director of Midland IC&I since December 2011 and was the Executive Director of Midland IC&I from June 2007 to March 2008.

Ms. WONG is a member of the Hong Kong Institute of Certified Public Accountants. She graduated from The University of Hong Kong with a bachelor's degree in business administration (accounting and finance) and also holds a master's degree in business administration from Hong Kong University of Science and Technology.

Prior to joining the Group, she worked for PricewaterhouseCoopers, an international accounting firm, for several years. She is the vice chairman of Youth Professionals Committee, Standing Committee member of The Association of Hong Kong Professionals, member of The Y.Elites Association and Honorary Vice President of the advisory board of Business Association BEA HKUSU. She was a member of the Practice and Examination Committee of the Estate Agents Authority and is currently a member of the Professional Development Committee of the Estate Agents Authority. She is also a member of the Sponsorship and Development Fund Committee of The Open University of Hong Kong Jubilee College.

Ms. WONG is the daughter of Mr. WONG Kin Yip, Freddie, the Chairman and Non-Executive Director of the Company and Ms. TANG Mei Lai, Metty, the Executive Director of the Company.

Mr. WONG Tsz Wa, Pierre (“Mr. Pierre WONG”)

aged 52, has been the Managing Director and Executive Director of the Company since November 2012. He is the Chairman of the Risk Committee of the Company. He joined the Group in 1993 and has been a member of the Chairman’s Office since December 2011. He is also a director of certain member of the Group. Mr. Pierre WONG holds a master’s degree in business administration and he is a professional member of The Royal Institution of Chartered Surveyors. He has over 27 years of experience in real estate agency business in Hong Kong.

Mr. Pierre WONG is responsible for the day-to-day management of the Group, the coordination of overall business operations as well as the effective implementation of the strategies, directions and policies of the Group.

Mr. Pierre WONG was the Executive Director of Midland IC&I from June 2007 to November 2012. He was the Chief Executive Officer and Deputy Chairman of Midland IC&I for the period from June 2007 to December 2011 and from December 2011 to November 2012 respectively. Mr. Pierre WONG ceased to act as the Deputy Chairman and Executive Director of Midland IC&I in November 2012.

Mr. CHEUNG Kam Shing

aged 52, has been the Executive Director of the Company since March 2011. He was the Consultant of the Group from November 2008 to March 2011. Mr. CHEUNG is responsible for the strategic development and daily operation of the Group’s China division “Midland China” and Macau division “Midland Macau”. He has over 30 years of solid experience in the real estate agency business. Mr. CHEUNG has served the Group for 24 years and was the Executive Director of the Company from June 1998 to November 2005. He is a director of various members of the Group.

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis

aged 59, has been the Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. KOO is the founder and the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr. KOO has many years of experience in investment banking and professional accounting. He was a managing director and head of the corporate finance department of a major international bank, a director and chief executive officer of a Main Board listed company.

Mr. KOO graduated with a bachelor’s degree in business administration from the University of California at Berkeley, and is a member of the Hong Kong Institute of Certified Public Accountants.

He currently also serves as an Independent Non-Executive Director of another four companies listed on the Main Board of the Stock Exchange, namely Good Friend International Holdings Inc., Li Ning Company Limited, Xingda International Holdings Limited and Winfull Group Holdings Limited.

Profile of Directors

Mr. SUN Tak Chiu

aged 52, has been the Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company.

Mr. SUN has over 29 years of experience in the fields of accounting, securities industries and corporate finance. Mr. SUN holds a bachelor's degree in law and a master's degree in business administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Association of Chartered Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities and Investment Institute.

Mr. CHAN Nim Leung, Leon

aged 60, has been the Independent Non-Executive Director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company since November 2012. He is the principal partner of Messrs. Y.T. Chan & Co., a legal firm in Hong Kong. He was admitted as a solicitor in Hong Kong, England and Wales as well as Victoria, Australia. Mr. CHAN acquired extensive experience in conveyancing matters in his 35 years of practice as a solicitor. Mr. CHAN holds a master's degree in business administration from Birmingham University. He was a member of the Solicitors Disciplinary Tribunal Panel from May 1993 to May 2008. He is the Non-Executive Director of three listed companies in Hong Kong, namely Hongkong Chinese Limited, Lippo China Resources Limited and Lippo Limited. He was the Independent Non-Executive Director of a listed company in Hong Kong, PanAsialum Holdings Company Limited from January 2013 to December 2014. He also served as the chairman of the supervisory board of the Macau Chinese Bank, S.A. ("SBMCB"), a licensed bank in Macau, from May 2002 until August 2015 and at present remains serving as a member of the SBMCB.

Mr. WONG San

aged 59, has been the Independent Non-Executive Director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company since September 2013. He is a professional building surveyor and holds a Master Degree of Science in International Real Estate. He is the founder of and is currently the Managing Director of Samson Wong & Associates Property Consultancy Limited. Mr. WONG has over 32 years' experience in property consultancy management, including real estate development, building survey and design, project planning & management and facility management, conversant with the Mainland and overseas real estate industry and also international joint venture development projects. He had worked for Standard Chartered Bank as their Property Administration Manager and for an international real estate consultancy firm as their CEO. Mr. WONG is an Authorised Person and is a fellow member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Facility Management. In 1998, he was elected as the President of the Hong Kong Institute of Surveyors and was awarded the Distinguished Building Surveyor in 2000.

Corporate Governance Report

The Board recognises that sound and effective corporate governance practices and procedures, with an emphasis on integrity, transparency, accountability and independence, are essential to enhance the shareholders' value and safeguard the shareholders' interest. The Company is committed to maintaining a good corporate governance standard and endeavors to ensure that its businesses are conducted in accordance with all applicable rules and regulations.

Corporate Governance Practices

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2015.

Board of Directors

(i) Board Responsibilities and Delegation

The Board is responsible for the management of the Company, which includes, inter alia, formulating business strategies, directing and supervising the Company's affairs, approving interim and annual reports, announcements of interim and annual results, considering dividend policy, and approving the grant of share options or any change in the capital structure of the Company. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the Executive Committee of the Company.

The daily management, administration and operation of the Group are delegated to the management of the Company. The Board gives clear directions to the management as to its powers and circumstances in which the management shall report to the Board.

All the directors of the Company ("Directors") have full and timely access to all relevant information and have access to the advice and services of the Company Secretary of the Company, with a view to ensuring that all proper Board procedures, applicable rules and regulations are followed. All the Directors including the Independent Non-Executive Directors may seek independent professional advice in appropriate circumstances at the Company's expense in carrying out their functions, upon making request to the Board.

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed regularly.

Corporate Governance Report

Board of Directors (Continued)

(ii) Board Composition

The Board currently comprises eleven Directors with four Executive Directors, three Non-Executive Directors and four Independent Non-Executive Directors. The composition of the Board is set out as follows:

Non-Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman*)

Mr. KAN Chung Nin, Tony

Ms. IP Kit Yee, Kitty (*Re-designated from Executive Director to Non-Executive Director with effect from 28 November 2015*)

Executive Directors

Ms. TANG Mei Lai, Metty

Ms. WONG Ching Yi, Angela (*Deputy Chairman and Managing Director*)

Mr. WONG Tsz Wa, Pierre (*Managing Director*)

Mr. CHEUNG Kam Shing

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. CHAN Nim Leung, Leon

Mr. WONG San

Save and except Mr. WONG Kin Yip, Freddie ("Mr. WONG") is the spouse of Ms. TANG Mei Lai, Metty ("Ms. TANG") and the father of Ms. WONG Ching Yi, Angela ("Ms. WONG"), none of the members of the Board are related to one another.

The biographical details of the Directors are set out in the section of "Profile of Directors" on pages 15 to 19 of this Annual Report.

(iii) Chairman and Chief Executive Officer

The roles of Chairman and Managing Director of the Company are separated.

Mr. WONG is the Chairman of the Company and is also the founder of the Group. He is responsible for the leadership of the Board, overseeing the overall corporate directions and corporate strategies of the Group, and driving the Board and the individual directors to perform to the best of their ability.

Ms. WONG and Mr. Pierre WONG are the Managing Directors of the Company. The Managing Directors of the Company carry out the function of chief executive officer of the Company and their role and responsibilities are set out on pages 17 to 18 of this Annual Report. The Managing Directors report directly to the Board. The senior executives of the respective strategic business units of the Group are responsible for performing and overseeing the business operation of the respective business units.

Board of Directors (Continued)

(iv) Board Meetings and Directors' Attendance

During the year ended 31 December 2015, the Board held six meetings to discuss and approve, inter alia, the interim and annual results and other significant issues of the Group. At least 14 days' notice of regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings. Individual attendance records of each of the Directors at the respective Board, committees and general meetings are set out on page 27 of this Annual Report.

(v) Non-Executive Directors

Mr. WONG, Mr. KAN Chung Nin, Tony and Ms. IP Kit Yee, Kitty, all being the Non-Executive Directors, have been appointed for a specific term of two years, one year and one year respectively. All the Independent Non-Executive Directors, namely Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu, Mr. CHAN Nim Leung, Leon and Mr. WONG San, have been appointed for a specific term of one and a half years, one year, one year and one year respectively. They are subject to retirement by rotation and shall be eligible for re-election at the Company's annual general meeting at least once every three years in accordance with the bye-laws of the Company.

Throughout the year ended 31 December 2015 and up to the date of this Annual Report, the Board has at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the requirements under Rule 3.10A of the Listing Rules relating to the appointment of the Independent Non-Executive Directors representing at least one-third of the Board. The Board has received from each Independent Non-Executive Director an annual written confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and considered that all the Independent Non-Executive Directors are independent.

(vi) Nomination, Appointment and Re-election of Directors

All new appointment of Directors and nomination of Directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee. The Nomination Committee will assess the candidate or incumbent on criteria such as experience, skills, knowledge and time commitment to carry out the duties and responsibilities of Director. The recommendations of the Nomination Committee will then be put to the Board for decision. Details of the role and function as well as a summary of the work performed by the Nomination Committee are set out under the heading of "Nomination Committee" below.

In accordance with the Company's bye-laws, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation but are eligible for re-election by shareholders at the annual general meeting provided that every Director is subject to retirement by rotation at least once every three years. If an Independent Non-Executive Director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company. All Directors appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Corporate Governance Report

Board of Directors (Continued)

(vii) Directors' Training

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package comprising a summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and a publication entitled "A Guide on Directors' Duties" issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretarial Department of the Company reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors and may provide them with written materials, where appropriate, as well as organises seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

During the year, the Company arranged an in-house seminar covering corporate governance, regulatory development and/or other suitable topics with training materials provided. A summary of the record of training received by the Directors during the year 2015 is as follows:

Directors	Training on corporate governance, regulatory development and/or other suitable topics
Non-Executive Directors	
Mr. WONG Kin Yip, Freddie	✓
Mr. KAN Chung Nin, Tony	✓
Ms. IP Kit Yee, Kitty	✓
Executive Directors	
Ms. TANG Mei Lai, Metty	✓
Ms. WONG Ching Yi, Angela	✓
Mr. WONG Tsz Wa, Pierre	✓
Mr. CHEUNG Kam Shing	✓
Independent Non-Executive Directors	
Mr. KOO Fook Sun, Louis	✓
Mr. SUN Tak Chiu	✓
Mr. CHAN Nim Leung, Leon	✓
Mr. WONG San	✓

Board Committees

The Board has established Board committees, including the Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee for overseeing the respective aspects of the Group's affairs.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice at the Company's expense in appropriate circumstances.

(i) Executive Committee

The Executive Committee was established on 21 September 1999 and consists of all the Executive Directors as members. The Executive Committee has the authority delegated by the Board to approve matters relating to the daily operations and management and business affairs of the Group, and also the approval of certain corporate actions of the Company.

(ii) Audit Committee

The Audit Committee was established on 4 August 1998 and is chaired by Mr. KOO Fook Sun, Louis, being the Independent Non-Executive Director, with four other members, namely Mr. SUN Tak Chiu, Mr. CHAN Nim Leung, Leon, Mr. WONG San and Mr. KAN Chung Nin, Tony. Majority of the Audit Committee members are Independent Non-Executive Directors. In compliance with Rule 3.10(2) of the Listing Rules, two of the members possess the appropriate professional qualifications or accounting or related financial management expertise. The written terms of reference of the Audit Committee are accessible on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2015, the Audit Committee held four meetings to, inter alia, discuss and review the interim and annual financial statements, the submission and publication of the interim and annual reports, and the internal audit plan and functions of the Group. There was no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor of the Company.

The major duties of the Audit Committee mainly include:

- reviewing the Group's interim and annual financial statements and the interim and annual reports before submission to the Board for approval;
- reviewing the financial reporting obligations and considering any matters raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or external auditor;
- reviewing and monitoring the independence and objectivity of the external auditor, and the effectiveness of the audit process in accordance with applicable standards;
- approving the remuneration and terms of engagement of the external auditor and making recommendation on the appointment, re-appointment or removal of the external auditor;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective, and considering any major findings of internal control matters; and

Corporate Governance Report

Board Committees (Continued)**(ii) Audit Committee (Continued)**

- reviewing the financial controls and internal control systems of the Group and ensuring the management has discharged its duty to have an effective internal control system, in particular, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For the year ended 31 December 2015, the Company had in place arrangement for employees and stakeholders of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

(iii) Remuneration Committee

The Remuneration Committee was established on 10 March 2005 with written terms of reference accessible on the websites of the Company and the Stock Exchange. The Remuneration Committee is chaired by Mr. SUN Tak Chiu, being the Independent Non-Executive Director, with six other members, namely Mr. WONG, Ms. WONG, Mr. KOO Fook Sun, Louis, Mr. CHAN Nim Leung, Leon, Mr. WONG San and Mr. KAN Chung Nin, Tony. Majority of the Remuneration Committee members are Independent Non-Executive Directors.

The Remuneration Committee held four meetings during the year to review and determine the remuneration package of the relevant Executive Directors and review the Group's overall remuneration and recommend the remuneration of the relevant Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval. The principal role and responsibilities of the Remuneration Committee mainly include reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Group and recommending the remuneration of the Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval. No Director or senior management was involved in the determination of his/her own remuneration package.

The remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration bands	Number of person(s)
HK\$0 – HK\$2,000,000	1
HK\$2,000,001 – HK\$4,000,000	2
HK\$4,000,001 – HK\$6,000,000	1
HK\$6,000,001 – HK\$8,000,000	–
HK\$8,000,001 – HK\$10,000,000	1

Details of Directors' emoluments and five highest paid individuals during the year are set out in note 10 to the financial statements on pages 84 to 86 of this Annual Report.

Board Committees (Continued)

(iv) Nomination Committee

The Nomination Committee was established on 10 March 2005 with written terms of reference accessible on the websites of the Company and the Stock Exchange. The Nomination Committee is chaired by Mr. KOO Fook Sun, Louis, being the Independent Non-Executive Director, with six other members, namely Mr. WONG, Ms. WONG, Mr. SUN Tak Chiu, Mr. CHAN Nim Leung, Leon, Mr. WONG San and Mr. KAN Chung Nin, Tony. Majority of the Nomination Committee members are Independent Non-Executive Directors.

During the year, the Nomination Committee held four meetings to assess the independence of the Independent Non-Executive Directors, review and make recommendation to the Board on the Board composition and the re-designation of Director. The retirement and rotation plan of the Directors was also reviewed by the Nomination Committee during the year.

The principal role and responsibilities of the Nomination Committee mainly include formulating and reviewing the nomination policy, assessing the independence of the Independent Non-Executive Directors and making recommendations to the shareholders on Directors' standing for re-election. In order to achieve a balanced and appropriately qualified Board, the Nomination Committee is also responsible for reviewing the structure, size and composition, including the skills, knowledge, diversity and experience, of the Board, and advising the Board as to any changes that may be required. The Nomination Committee has the authority given by the Board to seek external professional advice in the selection and recommendation for directorship, if necessary, to fulfil the requirements for professional knowledge and industry experience of any proposed candidates.

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. As such, the Company adopted a board diversity policy in August 2013. A truly diverse Board will include differences in the talents, skills, knowledge, regional, industry and professional experience, cultural and educational background, race, age, gender and other qualities of the members of the Board. Selection of candidates is based on a range of diversity perspectives. The ultimate decision is based on merit and contribution which would be brought by the candidates to the Board if he/she were selected as a Director. The Nomination Committee is of the view that the current composition of the Board has achieved the objectives set in the above board diversity policy.

(v) Risk Committee

The Risk Committee was established on 1 January 2016 with written terms of reference accessible on the website of the Company. The Risk Committee is chaired by Mr. Pierre WONG, being Managing Director and Executive Director of the Company, with three other members, being the Chief Legal Counsel, the Chief Financial Officer and the head of the Internal Audit Department.

The principal role and responsibilities of the Risk Committee include reviewing the Group's risk management system and framework, advising the Board on the current risk exposures of the Group and future risk strategy and considering emerging risks relating to the Group's business and strategies.

Corporate Governance Report

Attendance Records at the Board, Committees and General Meetings

The attendance records of the individual Directors at the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings for the year ended 31 December 2015 are set out as follows:

Directors	Board	No. of Meetings Attended/Held			Annual General
		Audit Committee	Remuneration Committee	Nomination Committee	
Non-Executive Directors					
Mr. WONG Kin Yip, Freddie (<i>Chairman</i>)	6/6	N/A	4/4	4/4	1/1
Mr. KAN Chung Nin, Tony	5/6	3/4	3/4	3/4	0/1
Ms. IP Kit Yee, Kitty (<i>Note 1</i>)	6/6	N/A	3/3	3/3	1/1
Executive Directors					
Ms. TANG Mei Lai, Metty	6/6	N/A	N/A	N/A	1/1
Ms. WONG Ching Yi, Angela (<i>Deputy Chairman and Managing Director</i>) (<i>Note 2</i>)	6/6	N/A	1/1	1/1	1/1
Mr. WONG Tsz Wa, Pierre (<i>Managing Director</i>)	6/6	N/A	N/A	N/A	1/1
Mr. CHEUNG Kam Shing	6/6	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. KOO Fook Sun, Louis	6/6	4/4	4/4	4/4	1/1
Mr. SUN Tak Chiu	6/6	4/4	4/4	4/4	1/1
Mr. CHAN Nim Leung, Leon	6/6	4/4	4/4	4/4	1/1
Mr. WONG San	6/6	4/4	4/4	4/4	1/1

Notes:

- Ms. IP Kit Yee, Kitty was a member of the Nomination Committee and Remuneration Committee of the Company for the period from 22 May 2015 to 27 November 2015.
- Ms. WONG ceased to be a member of the Nomination Committee and Remuneration Committee of the Company with effect from 22 May 2015 and was re-appointed as a member of the Nomination Committee and Remuneration Committee of the Company with effect from 28 November 2015.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2015.

Directors' Interests

Details of Directors' interests in the shares, underlying shares and debentures of the Company and its associated corporation are set out on pages 46 to 47 in the Report of Directors of this Annual Report.

Directors' Responsibility for the Financial Statements

The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs as at 31 December 2015 and of the Group's results and cash flows for the year ended 31 December 2015. In preparing the financial statements for the year ended 31 December 2015, the Directors selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The reporting responsibilities of the Company's independent auditor on the 2015 financial statements of the Group are set out in the "Independent Auditor's Report" on page 57 of this Annual Report.

Corporate Governance Function

In order to achieve enhanced corporate governance of the Company, the Board has undertaken and delegated to the Executive Committee to constantly review the Company's policies and practices on corporate governance, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual applicable to employees and the Directors, and the Company's compliance with the Code and disclosure in this Corporate Governance Report. During the year, the Executive Committee performed the duties relating to corporate governance matters as aforementioned.

Auditor's Remuneration

For the year ended 31 December 2015, the remuneration payable or paid to the Group's independent external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group is set out as follows:

	Fees payable or paid	
	2015 HK\$'000	2014 HK\$'000
Services rendered for the Group		
Audit Services	3,284	3,234
Interim Results Review	916	916
Non-Audit Services (include taxation and other professional services)	214	219
Total Fees	<u>4,414</u>	<u>4,369</u>

Corporate Governance Report

Internal Controls

The Board has overall responsibilities for maintaining effective internal control systems of the Group. The Internal Audit Department of the Company reports directly to the Audit Committee and is independent of the Company's daily operation. It is responsible for conducting regular audit on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

During the year ended 31 December 2015, the Board, with the assistance of the Internal Audit Department and the Audit Committee, conducted an annual review on the effectiveness of the Group's system of internal control. The review also included the consideration of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Company Secretary

The Company engages an external service provider to provide secretarial services and has appointed Ms. MUI Ngar May, Joel ("Ms. MUI") as its Company Secretary. Ms. MUI is not an employee of the Group and Mr. SZE Ka Ming, the Chief Financial Officer of the Company, is the person whom Ms. MUI can contact for the purpose of code provision F.1.1 of the Code. Ms. MUI undertook over 15 hours of professional training during the year.

Communication with Shareholders and Investor Relations

The Company is committed to ensuring that the Group shall comply with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors of the Company have opportunities to receive and obtain information issued by the Company. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with applicable laws and regulations.

Pursuant to the Listing Rules, voting by poll has become mandatory on all resolutions (except resolutions relate purely to procedural or administrative matters) put forward at general meetings and the poll results will be posted on the websites of the Stock Exchange and the Company. Notice to shareholders will be sent in the case of annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings in accordance with the Code.

The Company provides an opportunity for its shareholders to seek clarification and to obtain a better understanding of the Group's performance in the general meetings of the Company. The Company acknowledges that general meetings are good communication channels with its shareholders. The Company welcomes the attendance of its shareholders at general meetings to express their views. At the general meeting, each substantial issue will be considered by a separate resolution, including the re-election of individual retiring Directors, and the poll procedures will be clearly explained. The Chairman of the Board and the Chairmen of the relevant Board committees and/or their duly appointed delegates and/or Board committee members are available to attend the annual general meeting to interact with, and answer questions from, the shareholders. The external auditor is also required to be present at the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, the accounting policies and auditor's independence.

To foster effective communications with shareholders and investors, the Company maintains a website at www.midland.com.hk where the Company's announcements, circulars, notices, financial reports, business development, corporate governance practices, latest memorandum of association and bye-laws of the Company and other information are posted.

Communication with Shareholders and Investor Relations (Continued)

The 2015 annual general meeting of the Company was held on 26 June 2015. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including re-election of retiring Directors, and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Directors including Chairman of the Board, Chairman and members of the Audit Committee, Nomination Committee and Remuneration Committee as well as the representative of PricewaterhouseCoopers attended the 2015 annual general meeting and had effective communication with shareholders of the Company.

During the year, there were no changes to the memorandum of association and bye-laws of the Company.

Shareholders' Rights

(i) Procedures for Shareholders to Convene a Special General Meeting ("SGM")

The Board shall, on the requisition in writing by the shareholder(s) to the Board or the Secretary of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, forthwith proceed to convene a SGM in accordance with the bye-laws of the Company.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting but any meeting so convened shall not be held after the expiration of three months from the said date.

(ii) Procedures for Putting Forward Proposals at General Meeting ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the GM, or shall not be less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited at the registered office of the Company in Bermuda and Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong for the attention of "Manager, Company Secretarial Department" not less than six weeks before the GM in the case of a requisition requiring notice of a resolution and not less than one week before the GM in the case of any other requisition.

The shareholders concerned must deposit a sum reasonably sufficient to meet the Company's expenses in giving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

The procedures for a shareholder of the Company to propose a person for election as a Director is posted on the website of the Company.

(iii) Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited. Shareholders and investors may during office hours make a request for the Company's information to the extent that such information is publicly available. Shareholders may also send their enquiries and concerns to the Board by addressing them to the Investors Relations Department by post at Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong or by email to investor@midland.com.hk.

Corporate Social Responsibility Report

Fully support “Project WeCan” for the second year

- ▶ The Group took part in the “Project WeCan” for the second year, offering all-round support to designated partner school, HKSKH Bishop Hall Secondary School. This includes launching the “Job Tasting Programme” which offers internship to senior secondary students, and gives students an opportunity to perform at the Group’s Annual Dinner 2016, sponsoring the school’s annual English musical show, offering funding to allow students to take part in the “Young Innovators Bazaar”, participating in the school’s inter-society teacher-student relay race, etc.



The Gold Award at CLP’s GREEN^{PLUS} Award Programme

- ▶ The Group adopts various energy-saving measures, which include recycling outmoded fluorescent tubes at all of its branches, using more energy-saving LED lamps, etc. These measures have successfully cut the average usage of electricity by approximately 13% at each branch as compared with last year. Midland Realty was awarded the “Gold Award in the Retail – Chain Store Sector” and “Joint Energy Saving Award” at GREEN^{PLUS} Award Programme of CLP Power Hong Kong Limited.

Sponsoring “Lifeline Express Charity Run/Walk” for five consecutive years

- ▶ The Group sponsored the “Lifeline Express Charity Run/Walk” organised by Lifeline Express for five consecutive years. The charity event received enthusiastic responses from staff, and raised funds for the Lifeline Express, a hospital train aiming to give the gift of sight to cataract patients in remote areas in mainland China.



Winning again “Employer of Choice Award 2015”

- ▶ The Group, adhering to the “people-oriented” principle, builds a quality work environment and development platform for its staff to promote a caring culture within the Group. Midland Realty again received the “Employer of Choice Award 2015” organised by Job Market, which affirms its success in the industry.

Honoured as “Caring Company” for twelve consecutive years

- ▶ The Group has been proactively contributing to the community. For the 12th year in a row, it has been awarded the Caring Company Logo by The Hong Kong Council of Social Service, which has affirmed the Group’s practice in good corporate citizenship initiatives.



“Hong Kong Awards for Environmental Excellence”

- ▶ The Group commits to environmental protection and urges employees to use energy-saving facilities and recycle materials. Midland Realty, Midland IC&I and Hong Kong Property outperformed more than a thousand companies and were awarded the Certificate of Merit of “Hong Kong Awards for Environmental Excellence”– in the Servicing and Trading Category. The Group is the only property agency group to receive this award.

Participating in the “SHKP Vertical Run For Charity” for four consecutive years

- ▶ For four consecutive years, the Group took part in the “SHKP Vertical Run For Charity – Race to Hong Kong ICC” organised by Sun Hung Kai Properties through sponsoring and joining the charity run. Apart from raising funds for services targeting children and young people, the Group also achieved good results among the participating Chinese property agency teams in the event.



Corporate Social Responsibility Report

Named “Caring Corporate” by The Lok Sin Tong Benevolent Society, Kowloon for two consecutive years

- ▶ The Group has been supporting the charity work organised by The Lok Sin Tong Benevolent Society, Kowloon. The Group’s volunteer team actively participated in the charity visits including the “LST Lunar New Year Volunteer Event” and the “LST Buddy Dragon Boat Festival Volunteer Event”, showing love and care to the elderly in need. The Group was presented a “Caring Corporate” certificate for supporting the events.



Supporting SPHC’s “Hike for Hospice” for eleven consecutive years

- ▶ For the 11th year in a row, the Group made donation as well as participated in the “Hike for Hospice” charity event held by the Society for the Promotion of Hospice Care, which supports those in need of hospice care. Members of the participating team strived their very best with unity in a bid to win the short route event.

Visiting the “Ronald McDonald House”

- ▶ The Group’s volunteer team and the frontline members of its “Elite Club” visited the “Ronald McDonald House” to show care for sick children. They also took part in sales of charity raffle tickets to help raising funds for Ronald McDonald House Charities.



Active participation in various activities held by the St. James’ Settlement

- ▶ The Group has been a loyal supporter of St. James’ Settlement’s charity events including strongly supporting its charity scheme “Grant-in-aid Brightens Children’s Lives Service” for years. Through donating materials and organising volunteer service, the Group offers educational support to underprivileged students. The volunteer team also promoted the message of environmental protection to primary school students from Kwun Tong district by accompanying them to visit Noah’s Ark Hong Kong.

Corporate Social Responsibility Report

“Brighten Your Future” Life Planning Program with Po Leung Kuk

- ▶ The Group’s volunteer team and members from its Distinguished Salesperson Award (DSA) Club joined Po Leung Kuk’s “Brighten Your Future” Life Planning Program which offers primary school graduates working experience so that they can start planning for their future.



Practising Organisation of the “Work-Life Balance Week in 2015”

- ▶ The Group places great importance to employee benefits and has been implementing family-friendly measures, such as granting an extra paid holiday called the “Family-Care Day” for employees to better use time and fulfil family responsibilities. Midland Realty was recognised as one of the practising organisations of the “Work-Life Balance Week in 2015” organised by Community Business.

“Partner Employer Award” – Prestigious Corporate

- ▶ The Group commits to corporate social responsibility. It offers students and graduates quality internship and job opportunities with the objective of providing them with working experience and helping them to develop positive work attitude. As such, Midland Realty was awarded the “Partner Employer Award” – Prestigious Corporate by The Hong Kong General Chamber of Small and Medium Business.



“Great Entrepreneurial Spirit” Award

- ▶ Apart from offering professional services, the Group also participated in the “School-Company-Parent Program” held by Young Entrepreneurs Development Council to show its commitment to the community. Through the program, the Group offered career consultation and training for secondary school students. The contribution was recognised and Midland Realty was presented the “Great Entrepreneurial Spirit” Award.

Report of Directors

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Principal Activities and Segment Information

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 34 to the financial statements.

An analysis of the Group's performance for the year ended 31 December 2015 by operating segments is set out in note 7 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 58 of this Annual Report.

The Board did not declare an interim dividend for the six months ended 30 June 2015 (2014: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

Business Review

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year 2015 as well as discussion on the future business development of the Group are provided in the Chairman's Statement on pages 10 to 13, the Strategic Review and Planning on page 14 and the Management Discussion and Analysis on pages 55 to 56 of this Annual Report. Description of the principal risks and uncertainties facing the Group can be found in the Chairman's Statement on pages 10 to 13 and note 4 to the financial statements on pages 74 to 77 of this Annual Report. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on pages 55 to 56 of this Annual Report. The above sections form part of this report.

In addition, discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with the relevant laws and regulations which have a significant impact on the Group are provided in the paragraphs below.

Environmental policies and performance

The Group recognises the importance of good environmental stewardship and promulgates the environmental strategy of "4R", namely "Reduce, Reuse, Recycle and Replace". The Group has implemented various environmental protection measures, and has been granted awards in recognition of its commitment to environmental protection. Details of the awards are set out in the Corporate Social Responsibility Report on pages 31 to 34 of this Annual Report.

Relationships with key stakeholders

The Group maintains good relationship with its key stakeholders, which include employees, customers and shareholders.

Business Review (Continued)

Relationships with key stakeholders (Continued)

Employees

The Group considers its employees as important and valuable assets, and is committed to providing a pleasant working environment and promoting work-life balance. In this regard, the Group has implemented various policies, ranging from casual wear day, birthday and family-care holiday, to organising various leisure activities for its employees from time to time.

The Group believes that communication is important in building up good relationship between management and employees. The management issues regular newsletters which are circulated to the employees through intranet. The Group also encourages employees to provide suggestions to the Group through various platforms.

The Group has been granted awards in recognition of the Group's commitment to provide a quality working environment and promoting a caring culture to the employees. Details of the awards are set out in the Corporate Social Responsibility Report on pages 31 to 34 of this Annual Report.

Customers

The Group's main customers are purchasers, vendors, landlords and tenants of properties. The Group considers customers as a major stakeholder and is committed to providing comprehensive and high quality customer services.

Shareholders

The Group is committed to enhancing the shareholders' value and safeguarding the shareholders' interest through sound and effective corporate governance practices and procedures. Further discussion of the corporate governance practices and procedures are set out in the Corporate Governance Report on pages 20 to 30 of this Annual Report.

Compliance with the relevant laws and regulations

As the principal activity of the Group is estate agency, the Group takes particular care to comply with the requirements of the Estate Agents Ordinance and the Residential Properties (First-hand Sales) Ordinance. The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data. To ensure compliance with the applicable laws and regulations, the Group conducts regular training sessions for its staff, sets out guidelines and issues internal circulars to its staff from time to time.

In relation to human resources, the Group is committed to complying with the ordinances relating to employment, such as the Employment Ordinance, the Minimum Wage Ordinance, the Personal Data (Privacy) Ordinance, the ordinances relating to disability, sex, family status and race discrimination as well as the ordinance relating to occupational safety.

On the corporate level, the Company is committed to complying with the requirements under the Listing Rules and the SFO, such as disclosure of information and corporate governance. The Company has complied with the code provisions set out in the Code for the year ended 31 December 2015. The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 24 and note 33 to the financial statements respectively.

Charitable Donations

During the year, the Group made charitable donations totalling HK\$769,000 (2014: HK\$860,000).

Report of Directors

Property and Equipment

Details of the movements in property and equipment of the Group during the year are set out in note 16 to the financial statements.

Investment Properties

Details of the movements in investment properties of the Group during the year are set out in note 17 to the financial statements. Details of the properties held for investment purposes are set out on page 107 of this Annual Report.

Share Capital

Details of the share capital of the Company during the year are set out in note 23 to the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the applicable laws of Bermuda.

Distributable Reserves

As at 31 December 2015, the reserves of the Company available for distribution amounted to HK\$702,740,000 (2014: HK\$701,481,000).

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108 of this Annual Report.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Board of Directors

The Directors who held office during the year ended 31 December 2015 and up to the date of this report are as follows:

Non-Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman*)

Mr. KAN Chung Nin, Tony

Ms. IP Kit Yee, Kitty (*Re-designated from Executive Director to Non-Executive Director with effect from 28 November 2015*)

Executive Directors

Ms. TANG Mei Lai, Metty

Ms. WONG Ching Yi, Angela (*Deputy Chairman and Managing Director*)

Mr. WONG Tsz Wa, Pierre (*Managing Director*)

Mr. CHEUNG Kam Shing

Board of Directors (Continued)

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis
Mr. SUN Tak Chiu
Mr. CHAN Nim Leung, Leon
Mr. WONG San

In accordance with bye-law 87 of the Company's bye-laws, Mr. WONG, Mr. KAN Chung Nin, Tony, Ms. IP Kit Yee, Kitty and Mr. WONG San shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, will offer themselves for re-election.

Directors' Service Contracts

None of the Directors who are proposed for re-election at the AGM have service contracts with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed in this Annual Report, no transactions, arrangements and contracts that are significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted Indemnity

Pursuant to the bye-laws of the Company, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his or her duty, or supposed duty, in his or her office provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud or dishonesty which may attach to him or her. The Company has arranged directors' and officers' liability insurance for the directors of the Group.

Equity-linked Agreements

Details of the share option schemes of the Company and Midland IC&I and the outstanding share options granted under the said schemes in prior years are set out in the section headed "Share Option Schemes" in this report and note 23 to the financial statements. No share options of the Company and Midland IC&I were granted during the year ended 31 December 2015.

Report of Directors

Share Option Schemes

Share Option Scheme of the Company

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 30 April 2002, the Company adopted the 2002 share option scheme ("Share Option Scheme"). The Share Option Scheme had expired on 29 April 2012. A summary of the Share Option Scheme is as follows:

(a) Purpose

The principal purposes of the Share Option Scheme are to enable the Group to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("Invested Entity"), to recognise the significant contributions of the eligible persons to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and to give incentives to these eligible persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

(b) Eligible persons

- (i) any employee (whether full time or part time and including executive director) of any member(s) of the Group or any Invested Entity;
- (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; and
- (iii) any supplier, customer, consultant, adviser or agent to and of any member of the Group or any Invested Entity.

(c) Total number of shares available for issue

The total number of shares available for issue for all outstanding options as at the date of this Annual Report is 21,927,480 shares, representing approximately 3.05% of the issued shares of the Company. Since the Share Option Scheme had expired on 29 April 2012, no more option had been granted from that date.

(d) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of the options granted to each eligible person under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

Any further grant of share options in excess of the above-mentioned limit shall be subject to the separate approval by the shareholders of the Company at general meeting (with such eligible person and his or her associates abstaining from voting), other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

Share Option Schemes (Continued)

Share Option Scheme of the Company (Continued)

(e) Maximum entitlement of each eligible person who is a connected person

The maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme(s) of the Company to each eligible person who is an Independent Non-Executive Director or a substantial shareholder of the Company, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of shares of the Company in issue and the aggregate value which based on the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of each grant shall not exceed HK\$5,000,000.

Any further grant of share options in excess of the above-mentioned limit shall be separately approved by the shareholders of the Company with all connected persons of the Company abstaining from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his or her intention to do so has been stated in the circular to be sent to the shareholders of the Company, and subject to other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period within which the option shall be exercised, to be notified by the Board to each eligible person who accepts an offer in accordance with the terms of the Share Option Scheme, provided that it shall commence on a date not more than ten years from the date of grant.

(g) Acceptance of offer

An offer for the grant of an option made by the Company must be accepted within twenty-eight days from the day on which such offer is made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK\$1.

(h) Basis of determining the exercise price

The exercise price of an option to subscribe for shares granted under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an eligible person and shall be no less than the highest of:

- (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer;
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and
- (iii) the nominal value of a share of the Company.

(i) Remaining life of the Share Option Scheme

The Share Option Scheme became effective on 30 April 2002 and had remained in force for a period of ten years from that date and had expired on 29 April 2012.

The terms of the Share Option Scheme for those outstanding share options already granted under the Share Option Scheme remain in force.

Report of Directors

Share Option Schemes (Continued)

Share Option Scheme of the Company (Continued)

Movements in the outstanding share options of the Company granted under the Share Option Scheme during the year were as follows:

Name of Director	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 31 December 2015	Exercisable period
			Balance outstanding as at 1 January 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year		
Mr. WONG	21 July 2011	4.29	3,604,580	-	-	-	3,604,580	1 August 2011 to 31 July 2019
	21 July 2011	4.29	3,604,580	-	-	-	3,604,580	1 January 2012 to 31 December 2019
Ms. TANG	27 October 2011	3.81	3,604,580	-	-	-	3,604,580	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3,604,580	-	-	-	3,604,580	1 October 2013 to 30 September 2021
Ms. WONG	27 October 2011	3.81	3,604,580	-	-	-	3,604,580	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3,604,580	-	-	-	3,604,580	1 October 2013 to 30 September 2021
Mr. KOO Fook Sun, Louis	21 July 2011	4.29	150,000	-	-	-	150,000	1 August 2011 to 31 July 2019
Mr. SUN Tak Chiu	21 July 2011	4.29	150,000	-	-	-	150,000	1 August 2011 to 31 July 2019
Total			<u>21,927,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,927,480</u>	

Information on the accounting policy for share options granted under the Share Option Scheme is provided in note 3(q)(iii) to the financial statements.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the year.

Share Option Schemes (Continued)

Share Option Scheme of Midland IC&I

At the extraordinary general meeting of Midland IC&I held on 19 September 2008, a share option scheme of Midland IC&I (the "Midland IC&I Share Option Scheme") was adopted by Midland IC&I and approved by its shareholders.

The major terms of the Midland IC&I Share Option Scheme are summarised as follows:

(a) Purpose of the Midland IC&I Share Option Scheme

The principal purposes of the Midland IC&I Share Option Scheme are to enable Midland IC&I and its subsidiaries (collectively referred to as the "Midland IC&I Group") and any entity in which any member of the Midland IC&I Group holds an equity interest ("Midland IC&I Invested Entity") to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Midland IC&I Group or Midland IC&I Invested Entities, to recognise the contributions of the eligible persons to the growth of the Midland IC&I Group or Midland IC&I Invested Entities by rewarding them with opportunities to obtain ownership interest in Midland IC&I and to motivate and to give incentives to these eligible persons to continue to contribute to the long term success and prosperity of the Midland IC&I Group or Midland IC&I Invested Entities.

(b) Participants of the Midland IC&I Share Option Scheme

The board of directors of Midland IC&I (the "Midland IC&I Board") may invite any eligible person as the Midland IC&I Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Midland IC&I Group or Midland IC&I Invested Entity, to take up the options under the Midland IC&I Share Option Scheme.

"eligible person", in relation to the Midland IC&I Share Option Scheme, means any employee (whether full time or part time), senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of Midland IC&I, any of its affiliates or any Midland IC&I Invested Entity, or any of their respective associates or chief executives or substantial shareholder who, as determined by the Midland IC&I Board, has contributed or will contribute to the growth and development of the Midland IC&I Group or any Midland IC&I Invested Entity.

(c) Total number of shares available for issue

The total number of shares of Midland IC&I available for issue for all outstanding options as at the date of this Annual Report is 145,000,000, representing approximately 1.06% of the issued shares of Midland IC&I. The total number of shares of Midland IC&I available for issue in respect of options which may be granted is 680,000,000, representing approximately 4.96% of the issued shares of Midland IC&I as at the date of this Annual Report.

(d) Maximum entitlement of each eligible person

The maximum number of shares of Midland IC&I issued and to be issued upon exercise of the options granted to each eligible person under the Midland IC&I Share Option Scheme and any other share option scheme(s) of Midland IC&I (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of Midland IC&I in issue.

Any further grant of share options in excess of the above-mentioned limit shall be subject to separate approval by the shareholders of Midland IC&I and, for so long as Midland IC&I remains a subsidiary of the Company, the shareholders of the Company at their respective general meetings with such eligible person and his or her associates abstaining from voting, other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

Report of Directors

Share Option Schemes (Continued)**Share Option Scheme of Midland IC&I (Continued)****(e) Maximum entitlement of each eligible person who is a connected person**

The maximum number of shares of Midland IC&I issued and to be issued upon exercise of the options granted under the Midland IC&I Share Option Scheme and any other share option scheme(s) of Midland IC&I to each eligible person who is an independent non-executive director or a substantial shareholder of Midland IC&I or, for so long as Midland IC&I remains a subsidiary of the Company, of the Company, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of shares of Midland IC&I in issue and an aggregate value which based on the closing price of the shares of Midland IC&I as stated in the Stock Exchange's daily quotations sheet on the date of each grant shall not exceed HK\$5,000,000.

Any further grant of share options in excess of the above-mentioned limit shall be separately approved by the shareholders of Midland IC&I and, for so long as Midland IC&I remains a subsidiary of the Company, by the shareholders of the Company with all connected persons of Midland IC&I and, for so long as Midland IC&I remains a subsidiary of the Company, of the Company abstaining from voting at their respective general meetings, except that any connected person may vote against the relevant resolution at the general meeting(s) provided that his or her intention to do so has been stated in the circular(s) to be sent to the relevant shareholders, and subject to other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the Midland IC&I Share Option Scheme at any time during a period within which the option shall be exercised, to be notified by the Midland IC&I Board to each eligible person who accepts an offer in accordance with the terms of the Midland IC&I Share Option Scheme, provided that it shall commence on a date not more than ten years from the date of grant.

(g) Acceptance of offer

An offer for the grant of an option made by Midland IC&I must be accepted within ten business days from the day on which such offer is made. The amount payable to Midland IC&I on acceptance of the offer for the grant of an option is HK\$1.

(h) Basis of determining the exercise price

The exercise price of an option to subscribe for shares of Midland IC&I granted under the Midland IC&I Share Option Scheme shall be a price determined by the Midland IC&I Board at its absolute discretion and notified to an eligible person but shall not be less than the highest of:

- (i) the closing price of the shares of Midland IC&I as stated in the Stock Exchange's daily quotations sheet on the offer date;
- (ii) the average closing price of the shares of Midland IC&I as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a share of Midland IC&I.

Share Option Schemes (Continued)

Share Option Scheme of Midland IC&I (Continued)

(i) Remaining life of the Midland IC&I Share Option Scheme

The Midland IC&I Share Option Scheme became effective on 19 September 2008 and will remain in force for a period of ten years from the date of adoption.

Movements in the outstanding share options of Midland IC&I granted under the Midland IC&I Share Option Scheme during the year were as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 31 December 2015	Exercisable period
			Balance outstanding as at 1 January 2015	Granted during the year	Cancelled/lapsed during the year	Exercised during the year		
Directors of Midland IC&I								
Mr. WONG Hon Shing, Daniel	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2016 to 14 December 2019
Mr. TSANG Link Carl, Brian	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. YING Wing Cheung, William	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. SHA Pau, Eric	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. HO Kwan Tat, Ted	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016

Report of Directors

Share Option Schemes (Continued)

Share Option Scheme of Midland IC&I (Continued)

Name of director	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 31 December 2015	Exercisable period
			Balance outstanding as at 1 January 2015	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year		
Directors of the Company								
Mr. Pierre WONG	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2016 to 14 December 2019
Mr. CHEUNG Kam Shing	10 December 2014	0.044	5,000,000	-	-	(5,000,000) (Note)	-	15 December 2014 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2016 to 14 December 2019
Ms. IP Kit Yee, Kitty	10 December 2014	0.044	3,330,000	-	-	-	3,330,000	15 December 2014 to 14 December 2019
	10 December 2014	0.044	3,330,000	-	-	-	3,330,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	3,340,000	-	-	-	3,340,000	15 December 2016 to 14 December 2019
Total			<u>150,000,000</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>145,000,000</u>	

Note: Share options for subscription of 5,000,000 ordinary shares of Midland IC&I were exercised by Mr. CHEUNG Kam Shing on 29 June 2015. The aforesaid shares were issued and allotted to him on 13 July 2015. The closing price of shares of Midland IC&I immediately before the date of exercise of the said share options was HK\$0.077 per share.

Information on the accounting policy for share options granted under the Midland IC&I Share Option Scheme is provided in note 3(q)(iii) to the financial statements.

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed under the Midland IC&I Share Option Scheme during the year.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2015, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Long positions in the shares and underlying shares of the Company

Name of Director	Number of ordinary shares			Number of underlying shares			Approximate percentage of the issued shares of the Company
	Personal interest/Beneficial owner	Corporate interest/Interest of controlled corporation	Family interest/Interest of spouse	Personal interest/Beneficial owner	Family interest/Interest of spouse	Total	
Mr. WONG	24,490,000	161,340,144 (Note 1)	–	7,209,160 (Note 2)	7,209,160 (Note 3)	200,248,464	27.89%
Ms. TANG	–	–	185,830,144 (Note 4)	7,209,160 (Note 5)	7,209,160 (Note 6)	200,248,464	27.89%
Ms. WONG	–	–	–	7,209,160 (Note 7)	–	7,209,160	1.00%
Mr. KOO Fook Sun, Louis	–	–	–	150,000 (Note 8)	–	150,000	0.02%
Mr. SUN Tak Chiu	–	–	–	150,000 (Note 9)	–	150,000	0.02%

Notes:

- These shares were held by Sunluck Services Limited. Mr. WONG indirectly owned 100% interests in Sunluck Services Limited through his wholly-owned company, namely Southern Field Trading Limited.
- These underlying shares were held by Mr. WONG by virtue of the interests in the share options of the Company granted to him.
- These underlying shares represent the interests in the share options of the Company held by Ms. TANG, the spouse of Mr. WONG, by virtue of the interests in the share options of the Company granted to her.
- These shares represent the shares held directly or indirectly by Mr. WONG, the spouse of Ms. TANG, as ultimate beneficial owner.
- These underlying shares were held by Ms. TANG by virtue of the interests in the share options of the Company granted to her.
- These underlying shares represent the interests in the share options of the Company held by Mr. WONG, the spouse of Ms. TANG, by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Ms. WONG by virtue of the interests in the share options of the Company granted to her.
- These underlying shares were held by Mr. KOO Fook Sun, Louis by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Mr. SUN Tak Chiu by virtue of the interests in the share options of the Company granted to him.
- Details of the share options granted by the Company to the above Directors are set out in the sub-section headed "Share Option Scheme of the Company" under the section headed "Share Option Schemes" in this report.

Report of Directors

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (Continued)

(ii) Long positions in the shares and underlying shares of associated corporation of the Company

Name of associated corporation	Name of Director	Number of ordinary shares		Number of underlying shares		Total	Approximate percentage of the issued shares of associated corporation
		Personal interest/ Beneficial owner	Family interest/ Interest of spouse	Personal interest/ Beneficial owner	Family interest/ Interest of spouse		
Midland IC&I	Mr. Pierre WONG	2,000,000	1,320,000 (Note 11)	90,000,000 (Note 12)	–	93,320,000	0.68%
Midland IC&I	Mr. CHEUNG Kam Shing	–	–	10,000,000 (Note 13)	–	10,000,000	0.07%
Midland IC&I	Ms. IP Kit Yee, Kitty	–	–	10,000,000 (Note 14)	–	10,000,000	0.07%

Notes:

11. These shares represent the shares of Midland IC&I held by Ms. LAM Mee Yuk, the spouse of Mr. Pierre WONG, as beneficial owner.
12. These underlying shares were held by Mr. Pierre WONG by virtue of the interests in the share options of Midland IC&I granted to him.
13. These underlying shares were held by Mr. CHEUNG Kam Shing by virtue of the interests in the share options of Midland IC&I granted to him.
14. These underlying shares were held by Ms. IP Kit Yee, Kitty by virtue of the interests in the share options of Midland IC&I granted to her.
15. Details of the share options granted by Midland IC&I to the above Directors are set out in the sub-section headed "Share Option Scheme of Midland IC&I" under the section headed "Share Option Schemes" in this report.

Save as disclosed above, as at 31 December 2015, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this Annual Report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2015, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Number of ordinary shares	Holding capacity/ Nature of interest	Approximate percentage of the issued shares of the Company
Southern Field Trading Limited (<i>Note 1</i>)	161,340,144 (L)	Interest of controlled corporation/ Corporate interest	22.47%
Sunluck Services Limited (<i>Note 1</i>)	161,340,144 (L)	Beneficial owner/Beneficial interest	22.47%
Apex Benchmark Limited	75,666,000 (L)	Beneficial owner/Beneficial interest	10.54%
Edgbaston Asian Equity Trust (<i>Note 2</i>)	43,460,000 (L)	Beneficial owner/Beneficial interest	6.05%
Edgbaston Investment Partners Limited (<i>Note 2</i>)	57,482,000 (L)	Investment manager/Other interest	8.01%
Massachusetts Financial Services Company (<i>Note 3</i>)	75,131,000 (L)	Investment manager/Other interest	10.46%
Sun Life Financial, Inc. (<i>Note 3</i>)	75,131,000 (L)	Investment manager/Other interest	10.46%
UBS AG (<i>Note 4</i>)	7,111,844 (L)	Beneficial owner/Beneficial interest	0.99%
	8,196,000 (L)	Security interest/Other interest	1.14%
	24,770,000 (L)	Interest of controlled corporation/ Corporate interest	3.45%
	4,035,548 (S)	Beneficial owner/Beneficial interest	0.56%
	24,272,000 (S)	Interest of controlled corporation/ Corporate interest	3.38%

Remark: (L) – Long Position, (S) – Short Position

Report of Directors

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (Continued)

Notes:

- The two references to 161,340,144 shares relate to the same block of shares of the Company as disclosed under Mr. WONG in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".
- Edgbaston Investment Partners Limited ("Edgbaston Investment") was the investment manager for Edgbaston Asian Equity Trust ("Edgbaston Trust"). To the best knowledge of the Company, Edgbaston Trust's interest was duplicated in the interest of Edgbaston Investment.
- Details of the interest in long position of the 75,131,000 shares in which Sun Life Financial, Inc. ("SLF") was deemed to be interested were as follows:

Massachusetts Financial Services Company ("MFS") held (through itself and its 100% controlled corporations) an aggregate of 75,131,000 shares. MFS was a 91.66% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. which was a 99.89% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(US)I"). SLF(US)I was a wholly-owned subsidiary of Sun Life Financial (U.S.) Holdings, Inc. which was a wholly-owned subsidiary of Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc. ("SLACC"). SLACC was a wholly-owned subsidiary of Sun Life Global Investments Inc. which was a wholly-owned subsidiary of SLF.

MFS was a subsidiary of SLF. Accordingly, MFS's interest in 75,131,000 shares was duplicated in the interest of SLF.
- The interest of UBS AG included derivative interest in 530,000 shares of the Company (being long position and unlisted physically settled derivatives).

Save as disclosed above, as at 31 December 2015, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the total revenues of the Group during the year ended 31 December 2015. The Group had no major suppliers due to the nature of the principal activities of the Group.

Related Party Transactions

The significant related party transactions entered into by the Group during the year set out in note 32 to the financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

Continuing Connected Transactions

The following transactions between certain connected persons (as defined in the Listing Rules) of the Company and the Group were entered into and during the year ongoing for which relevant announcements had been made by the Company in accordance with the Listing Rules.

(A) Continuing Connected Transactions (Disclosed by the Company's announcement dated 14 October 2015)

- A tenancy agreement was made on 14 October 2015 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company directly wholly owned by Mr. WONG, the Chairman, Non-Executive Director and substantial shareholder of the Company, as landlord whereby the landlord agreed to let the premises located at Flat E on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 1 November 2015 to 31 October 2017 at a monthly rental of HK\$54,000 without rent-free period and with the tenant having an option to renew the tenancy for a further term of two years at the prevailing market rent.

Continuing Connected Transactions (Continued)

(A) Continuing Connected Transactions (Disclosed by the Company's announcement dated 14 October 2015) (Continued)

2. A tenancy agreement was made on 14 October 2015 between World Up Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Titan Speed Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Office 910 on 9th Floor, Tower Two of Lippo Centre, No. 89 Queensway, Hong Kong as office of the Group for a term of one year commencing from 18 October 2015 to 17 October 2016 at a monthly rental of HK\$107,300 without rent-free period and option to renew and with right to terminate in which either party shall be entitled at any time during the term of the tenancy to terminate the tenancy agreement by giving to the other party not less than 45 days' prior notice in writing.
3. A licence agreement was made on 14 October 2015 between Great Century (H.K.) Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner Investment Limited ("Moral Winner"), a company indirectly wholly owned by Mr. WONG, as licensor whereby a licence was granted to install signage at the external wall facing Argyle Street of the building known as "No. 33 Argyle" at Nos.611-617 Shanghai Street and No. 33 Argyle Street, Kowloon for marketing and promotion of the real estate agency business of the Group for a term of two years commencing from 1 November 2015 to 31 October 2017 at a monthly licence fee of HK\$103,000.
4. A tenancy agreement was made on 31 March 2015 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Unit No.5 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon as office of the Group for a term of two years commencing from 1 April 2015 to 31 March 2017 at a monthly rental of HK\$49,600 without rent-free period and option to renew.
5. A licence agreement was made on 31 March 2015 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Shining Era Limited, a company directly wholly owned by Mr. WONG, as licensor whereby a licence was granted to use Car Parking Spaces Nos.P18 and P19 on the Basement Floor of South Seas Centre, No.75 Mody Road, Kowloon as car parks for staff of the Group for a term of two years commencing from 1 April 2015 to 31 March 2017 at a monthly licence fee of HK\$5,000.

(B) Continuing Connected Transactions (Disclosed by the Company's announcement dated 8 January 2015)

6. A tenancy agreement was made on 8 January 2015 between Midland Leasing (XXIV) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Flat D on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 10 January 2015 to 9 January 2017 at a monthly rental of HK\$63,000 without rent-free period and with the tenant having an option to renew the tenancy for a further term of two years at the prevailing market rent.
7. A tenancy agreement was made on 9 December 2014 between Midland Corporate Services Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Moral Winner, a company indirectly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Rooms 603-604 on 6th Floor of the building known as "No. 33 Argyle" at Nos. 611-617 Shanghai Street and No. 33 Argyle Street, Kowloon as office of the Group for a term of two years commencing from 15 October 2014 to 14 October 2016 at a monthly rental of HK\$26,500 without rent-free period and option to renew.

Report of Directors

Continuing Connected Transactions (Continued)**(B) Continuing Connected Transactions (Disclosed by the Company's announcement dated 8 January 2015) (Continued)**

8. A tenancy agreement was made on 9 December 2014 between World Up Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Titan Speed Limited, a company wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Office 910 on 9th Floor, Tower Two of Lippo Centre, No. 89 Queensway, Hong Kong as office of the Group for a term of one year commencing from 18 October 2014 to 17 October 2015 at a monthly rental of HK\$97,100 without rent-free period and option to renew.
9. A tenancy agreement was made on 21 August 2014 between Midland Alliance Limited, an indirect wholly-owned subsidiary of Midland IC&I, as tenant and Shun Yik International Limited, a company wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at No.17, 7th Floor, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon as office of the Group for a term of one year and eight months and seven days commencing from 25 August 2014 to 30 April 2016 at a monthly rental of HK\$33,000 without rent-free period and option to renew.

(C) Continuing Connected Transactions (Disclosed by the Company's announcement dated 8 April 2014)

10. A tenancy agreement was made on 8 April 2014 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Vision Dynasty Limited, a company wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Shop E on the Lower Ground Floor and Utility Room at Rear of Splendid Place, No.39 Tai Koo Shing Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 16 April 2014 to 15 April 2016 at a monthly rental of HK\$102,000 without rent-free period and option to renew.
11. A tenancy agreement was made on 7 April 2014 between Midland Alliance Limited, a wholly-owned subsidiary of Midland IC&I, as tenant and Shun Yik International Limited, a company wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Nos.11-16, 7th Floor, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon as office of the Group for a term of two years commencing from 1 May 2014 to 30 April 2016 at a monthly rental of HK\$162,000 without rent-free period and option to renew.

(D) Continuing Connected Transactions (Disclosed by the Company's announcement dated 23 September 2013)

12. A tenancy agreement was made on 23 September 2013 between World Up Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Moral Winner, a company indirectly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Room 1401 on 14th Floor of the building known as "No. 33 Argyle" at Nos. 611-617 Shanghai Street and No. 33 Argyle Street, Kowloon as office of the Group for a term of two years and eight months commencing from 1 October 2013 to 31 May 2016 at a monthly rental of HK\$16,140 with rent-free period from 1 October 2013 to 7 October 2013.
13. A tenancy agreement was made on 23 September 2013 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Flat E on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 1 November 2013 to 31 October 2015 at a monthly rental of HK\$51,300 without rent-free period.

Continuing Connected Transactions (Continued)

(D) Continuing Connected Transactions (Disclosed by the Company's announcement dated 23 September 2013) (Continued)

14. A tenancy agreement was made on 23 September 2013 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Unit No.4 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon as office of the Group for a term of two years commencing from 1 November 2013 to 31 October 2015 at a monthly rental of HK\$47,200 without rent-free period.
15. A licence agreement was made on 23 September 2013 between Great Century (H.K.) Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner, a company indirectly wholly owned by Mr. WONG, as licensor whereby a licence was granted to install signage(s) at the external wall facing Argyle Street of the building known as "No. 33 Argyle" at Nos. 611-617 Shanghai Street and No. 33 Argyle Street, Kowloon for marketing and promotion of the real estate agency business of the Group for a term of two years commencing from 1 November 2013 to 31 October 2015 at a monthly licence fee of HK\$65,000.
16. A licence agreement was made on 23 September 2013 between Crown Lucky Investment Limited, an indirect wholly-owned subsidiary of Midland IC&I, as licensee and Moral Winner, a company indirectly wholly owned by Mr. WONG, as licensor whereby a licence was granted to install signage(s) at the lower part of the external wall facing Shanghai Street of the building known as "No. 33 Argyle" at Nos. 611-617 Shanghai Street and No. 33 Argyle Street, Kowloon for marketing and promotion of the real estate agency business of the Group for a term of two years commencing from 1 November 2013 to 31 October 2015 at a monthly licence fee of HK\$68,000.
17. A tenancy agreement was made on 28 February 2013 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Unit No.5 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon as office of the Group for a term of two years commencing from 1 April 2013 to 31 March 2015 at a monthly rental of HK\$43,000 without rent-free period.
18. A tenancy agreement was made on 28 February 2013 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to grant a licence to use Car Parking Spaces Nos.P18 and P19 on the Basement Floor of South Seas Centre, No.75 Mody Road, Kowloon as car parks for staff of the Group for a term of two years and one month commencing from 1 March 2013 to 31 March 2015 at a monthly rental of HK\$4,500 without rent-free period.
19. A tenancy agreement was made on 16 January 2013 between Midland Leasing (XXIV) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Flat D on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 10 January 2013 to 9 January 2015 at a monthly rental of HK\$61,000 without rent-free period.

(E) Continuing Connected Transaction (Disclosed by the Company's announcement dated 23 August 2013)

20. A consultancy agreement was made on 23 August 2013 between the Company and Mr. WONG whereby Mr. WONG agreed to provide consultancy services to the Company for a term of two years commencing from 26 August 2013 to 25 August 2015 at a consultancy fee of HK\$280,000 per month.

Report of Directors

Continuing Connected Transactions (Continued)

The Independent Non-Executive Directors have reviewed the continuing connected transactions mentioned above pursuant to Rule 14A.55 of the Listing Rules and confirmed that, the aforesaid continuing connected transactions have been entered into:

- i. in the ordinary and usual course of business of the Group;
- ii. on normal commercial terms or better; and
- iii. according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified report containing its findings and conclusions in respect of the continuing connected transactions disclosed on pages 49 to 52 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's report has been provided by the Company to the Stock Exchange.

Changes in Directors' Information

Changes in the information of Directors since the disclosure made in the interim report of the Company for the six months ended 30 June 2015, that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Ms. WONG has been appointed as a member of the Nomination Committee and Remuneration Committee of the Company with effect from 28 November 2015.
2. Mr. Pierre WONG has been appointed as the Chairman of the Risk Committee of the Company with effect from 1 January 2016. Mr. Pierre WONG is also a director of certain member of the Group.
3. With effect from 1 November 2015, Mr. CHEUNG Kam Shing is entitled to an annual director's fee of HK\$200,000, monthly additional remuneration of HK\$138,334, a profit sharing and overriding commission to be determined based on performance and calculated according to the profits and net agency income arising from his responsible business unit(s) of the Group respectively.
4. Mr. KAN Chung Nin, Tony has been appointed as an Independent Non-Executive Director of Nameson Holdings Limited since 1 February 2016, which will be listed on the Stock Exchange on 12 April 2016.
5. Ms. IP Kit Yee, Kitty has been re-designated from Executive Director to Non-Executive Director of the Company with effect from 28 November 2015. Ms. IP ceased to act as a member of the Nomination Committee and Remuneration Committee of the Company with effect from 28 November 2015. She also resigned as director of various members of the Group.

Pursuant to the appointment letter entered into between the Company and Ms. IP, the term of appointment of Ms. IP as Non-Executive Director of the Company is for a term of one year commencing from 28 November 2015. The remuneration of Ms. IP has been changed as a result of her re-designation as Non-Executive Director of the Company. With effect from 28 November 2015, Ms. IP is entitled to a director's fee of HK\$260,000 per annum.

6. The term of appointment of Mr. SUN Tak Chiu has been changed from one and a half years to one year with effect from 24 March 2016.
7. Mr. CHAN Nim Leung, Leon ceased to act as the chairman of the supervisory board of the Macau Chinese Bank, S.A., a licensed bank in Macau, since August 2015, and at present remains serving as a member of the supervisory board of the Macau Chinese Bank, S.A.

Retirement Scheme

Details of the Group's retirement scheme are set out in note 9 to the financial statements.

Principal Subsidiaries and Joint Ventures

Details of the Company's principal subsidiaries and joint ventures as at 31 December 2015 are set out in note 34 to the financial statements.

Borrowings

Particulars of borrowings of the Group as at 31 December 2015 are set out in note 26 to the financial statements.

Emolument Policy

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Executive Directors are reviewed and determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and prevailing market condition. The emoluments of the Non-Executive Directors and Independent Non-Executive Directors are reviewed by the Remuneration Committee and determined by the Board. No Director or any of his or her associates was involved in deciding his or her own remuneration.

Directors' Interest in Competing Business

During the year, none of the Directors had an interest in any business constituting competing business to the Group.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of at least 25% of the total number of issued shares of the Company as required under the Listing Rules.

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, will offer itself for re-appointment as auditor at the AGM. A resolution will be proposed at the AGM to re-appoint it and to authorise the Board to fix its remuneration.

On behalf of the Board

Midland Holdings Limited

WONG Kin Yip, Freddie

Chairman

Hong Kong, 23 March 2016

Management Discussion and Analysis

Liquidity and Financial Resources

The Group mainly finances its business operations with its internal resources and loan facilities from banks.

As at 31 December 2015, the Group had cash and bank balances of HK\$1,303,066,000 (2014: HK\$1,764,485,000).

As at 31 December 2015, the interest-bearing bank borrowings of the Group amounted to HK\$58,188,000 (2014: HK\$426,118,000) and with maturity profile set out as follows:

	2015 HK\$'000	2014 HK\$'000
Repayable		
Within 1 year	50,946	417,928
After 1 year but within 2 years	964	945
After 2 years but within 5 years	3,004	2,947
Over 5 years	3,274	4,298
	<u>58,188</u>	<u>426,118</u>

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

As at 31 December 2015, the gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 3.80% (2014: 26.52%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.7 (2014: 1.5). The return on equity, which is the ratio of (loss)/profit for the year over total equity of the Group, was -6.48% (2014: 4.65%).

As at 31 December 2015, the Group has unutilised borrowing facilities amounting to approximately HK\$1,485,000,000 from various banks. As at 31 December 2014, the Group had unutilised borrowing facilities amounting to approximately HK\$413,000,000 from various banks and an independent third party. The borrowing facilities were granted to the Group on a floating rate basis. The Directors will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

As at 31 December 2015, certain land and buildings and investment properties held by the Group of HK\$86,305,000 (2014: HK\$90,471,000) and HK\$76,360,000 (2014: HK\$58,310,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured by floating charge over certain receivables of the Group, inter alia, with carrying value of approximately HK\$932,017,000 as at 31 December 2015 (2014: HK\$307,620,000). As at 31 December 2015, no bank deposit (2014: HK\$3,400,000) was pledged to secure general banking facilities granted to the Group.

The Group's cash and bank balances are denominated in Hong Kong dollars, Renminbi and Macau patacas and the Group's borrowings are in Hong Kong dollars. No currency hedging tool is used.

The Group's business has been conducted primarily in Hong Kong and its monetary assets and liabilities are mainly denominated in Hong Kong dollars. The Group is exposed to Renminbi exchange rate risk as the assets and liabilities of the Group's PRC subsidiaries are primarily denominated in Renminbi. Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Directors consider that no hedging measure against Renminbi exchange rate exposure is necessary at this stage but will closely monitor its fluctuations.

Contingent Liabilities

As at 31 December 2015, the Company executed corporate guarantee of HK\$1,562,000,000 as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2014, the Company executed corporate guarantee of HK\$864,500,000 as part of the securities for general banking and other loan facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2015, HK\$59,364,000 of these facilities were utilised by the subsidiaries (2014: HK\$426,179,000).

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic benefits is probable.

Employee Information

As at 31 December 2015, the Group employed 11,673 full time employees (2014: 9,211) of which 10,391 were sales agents, 608 were back office supportive employees and 674 were frontline supportive employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus and incentives tied in with profits and share options may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits. In respect of staff development, both in-house and external training and development programmes are conducted on a regular basis.

Independent Auditor's Report



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDLAND HOLDINGS LIMITED (incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Midland Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 106, which comprise the consolidated balance sheets as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenues	6	3,906,524	4,118,267
Other income	8	6,195	6,530
Staff costs	9	(2,319,304)	(2,192,571)
Rebate incentives		(582,337)	(736,558)
Advertising and promotion expenses		(89,750)	(78,864)
Operating lease charges in respect of office and shop premises		(584,867)	(575,644)
Impairment of receivables		(95,443)	(69,047)
Depreciation and amortisation costs		(43,403)	(53,663)
Other operating costs		(294,758)	(299,087)
Operating (loss)/profit	11	(97,143)	119,363
Finance income	12	2,663	3,196
Finance costs	12	(10,028)	(19,791)
Share of results of joint ventures	19	13,919	11,547
(Loss)/profit before taxation		(90,589)	114,315
Taxation	13	(8,593)	(39,557)
(Loss)/profit for the year		<u>(99,182)</u>	<u>74,758</u>
(Loss)/profit attributable to:			
Equity holders		(99,486)	63,975
Non-controlling interests		304	10,783
		<u>(99,182)</u>	<u>74,758</u>
(Loss)/earnings per share	15	HK cents	HK cents
Basic		(13.86)	8.91
Diluted		<u>(13.86)</u>	<u>8.91</u>

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
(Loss)/profit for the year	(99,182)	74,758
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	5,662	1,090
Change in fair value of available-for-sale financial assets	1,450	2,265
Change in fair value of land and buildings upon transfer from owner-occupied properties to investment properties	14,101	–
	<u>21,213</u>	<u>3,355</u>
Total comprehensive (loss)/income for the year, net of tax	<u>(77,969)</u>	<u>78,113</u>
Total comprehensive (loss)/income for the year attributable to:		
Equity holders	(78,273)	67,330
Non-controlling interests	304	10,783
	<u>(77,969)</u>	<u>78,113</u>

Consolidated Balance Sheet

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	16	166,475	153,741
Investment properties	17	105,074	87,910
Land use rights	18	1,233	1,333
Interests in joint ventures	19	70,887	63,358
Available-for-sale financial assets	20	11,982	12,566
Deferred taxation assets	27	15,992	21,652
		<u>371,643</u>	<u>340,560</u>
Current assets			
Trade and other receivables	21	1,412,779	1,990,038
Taxation recoverable		21,332	1,337
Cash and bank balances	22	1,303,066	1,764,485
		<u>2,737,177</u>	<u>3,755,860</u>
Total assets		<u>3,108,820</u>	<u>4,096,420</u>

Consolidated Balance Sheet

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital	23	71,805	71,805
Share premium	23	223,505	223,505
Reserves	24	1,033,062	1,110,799
		<u>1,328,372</u>	<u>1,406,109</u>
Non-controlling interests		<u>201,635</u>	<u>200,431</u>
Total equity		<u>1,530,007</u>	<u>1,606,540</u>
Non-current liabilities			
Deferred taxation liabilities	27	<u>3,121</u>	<u>2,857</u>
Current liabilities			
Trade and other payables	25	1,514,506	2,041,096
Borrowings	26	58,188	426,118
Taxation payable		<u>2,998</u>	<u>19,809</u>
		<u>1,575,692</u>	<u>2,487,023</u>
Total liabilities		<u>1,578,813</u>	<u>2,489,880</u>
Total equity and liabilities		<u>3,108,820</u>	<u>4,096,420</u>

The financial statements on page 58 to 106 were approved by the Board of Directors on 23 March 2016 and were signed on its behalf.

WONG Ching Yi, Angela
Director

WONG Tsz Wa, Pierre
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000 (note 24)	Equity holders HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2015	71,805	223,505	1,110,799	1,406,109	200,431	1,606,540
Comprehensive loss						
Loss for the year	-	-	(99,486)	(99,486)	304	(99,182)
Other comprehensive income						
Currency translation differences	-	-	5,662	5,662	-	5,662
Change in fair value of available-for-sale financial assets	-	-	1,450	1,450	-	1,450
Change in fair value of land and buildings upon transfer from owner-occupied properties to investment properties	-	-	14,101	14,101	-	14,101
Total comprehensive loss	-	-	(78,273)	(78,273)	304	(77,969)
Transactions with owners						
Employee share option scheme						
- value of employee services	-	-	604	604	612	1,216
- shares issued by a subsidiary under employee share option scheme	-	-	(68)	(68)	288	220
	-	-	536	536	900	1,436
At 31 December 2015	71,805	223,505	1,033,062	1,328,372	201,635	1,530,007
At 1 January 2014	71,805	223,505	1,042,590	1,337,900	189,648	1,527,548
Comprehensive income						
Profit for the year	-	-	63,975	63,975	10,783	74,758
Other comprehensive income						
Currency translation differences	-	-	1,090	1,090	-	1,090
Change in fair value of available-for-sale financial assets	-	-	2,265	2,265	-	2,265
Total comprehensive income	-	-	67,330	67,330	10,783	78,113
Transactions with owners						
Employee share option scheme						
- value of employee services	-	-	879	879	-	879
	-	-	879	879	-	879
At 31 December 2014	71,805	223,505	1,110,799	1,406,109	200,431	1,606,540

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	28	11,647	371,753
Hong Kong profits tax paid		(39,283)	(8,349)
Overseas taxation paid		(192)	(2,478)
Interest paid		(10,028)	(19,791)
Net cash (used in)/from operating activities		(37,856)	341,135
Cash flows from investing activities			
Purchase of property and equipment		(61,510)	(22,227)
Investment in a joint venture		(1,050)	–
Proceeds from disposal of property and equipment		12	55
Return of capital from available-for-sale financial assets		2,340	4,178
Decrease in bank deposits with maturities over three months from date of deposits		5,000	128
Bank interest received		2,663	3,196
Dividend received from a joint venture		7,440	4,620
Net cash used in investing activities		(45,105)	(10,050)
Cash flows from financing activities			
Repayment of bank and other loans		(4,615,730)	(1,768,912)
Proceeds from bank and other loans		4,247,800	1,800,000
Decrease/(increase) in pledged bank deposit		3,400	(3,400)
Proceeds from exercise of share options of a subsidiary		220	–
Net cash (used in)/from financing activities		(364,310)	27,688
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at 1 January		1,756,085	1,400,191
Exchange differences		(5,748)	(2,879)
Cash and cash equivalents at 31 December	22	1,303,066	1,756,085

Notes to the Financial Statements

1 General information

Midland Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together, the “Group”) are provision of property agency services in Hong Kong, the People’s Republic of China (the “PRC”) and Macau.

The consolidated financial statements have been approved by the board of directors on 23 March 2016.

2 Basis of preparation

(a) The consolidated financial statements of the Company have been prepared in accordance with applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

(b) Amendments effective in 2015

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The adoption of the above amendments to existing standards did not have significant effect on the financial information or result in any significant changes in the Group’s significant accounting policies, except for certain changes in presentation and disclosures.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(d) Standards, interpretations and amendments which are not yet effective

The following new standards, and amendments to standards have been issued but are not effective for 2015 and have not been early adopted by the Group.

Effective for the year ending 31 December 2016

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

2 Basis of preparation (Continued)

(d) Standards, interpretations and amendments which are not yet effective (Continued)

Effective for the year ending 31 December 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The Group is assessing the impact of these new standards and amendments to standards. The adoption of these new standards and amendments to standards will not result in a significant impact on the results and financial position of the Group.

3 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries made up to 31 December.

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

3 Summary of significant accounting policies (Continued)

(a) Consolidation (Continued)

(ii) Separate financial statements

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(iii) Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollars which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

Notes to the Financial Statements

3 Summary of significant accounting policies (Continued)**(c) Foreign currency translation (Continued)****(iii) Group companies**

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the balance sheet date.

(d) Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets are calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the period of the lease
Buildings	50 years
Leasehold improvements	Over the period of the lease
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gain and loss on disposals are determined by comparing proceeds with carrying amount and are recognised within other operating costs, in the consolidated income statement.

3 Summary of significant accounting policies (Continued)

(e) Investment properties

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing estimated open market value determined at each reporting date by qualified valuers. The market value of each property is calculated on the discounted net rental income allowing for reversionary potential. Changes in fair values are recognised in the consolidated income statement as part of other income or other operating costs.

Subsequent expenditure is charged to the carrying amount of the property only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in the consolidated income statement.

(f) Impairment of investments in subsidiaries, joint ventures and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Impairment testing of the investments in subsidiaries or joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 Summary of significant accounting policies (Continued)

(g) Financial assets

The Group classifies its financial assets in the categories of loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as “trade and other receivables” and “cash and bank balances” in the consolidated balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months of the balance sheet date.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the consolidated income statement; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gain and loss from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividend on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

3 Summary of significant accounting policies (Continued)

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(i) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement) is removed from equity and recognised in the consolidated income statement. Impairment recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(j) Trade and other receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within other operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited against other operating costs in the consolidated income statement.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, cashier orders, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(l) Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity.

3 Summary of significant accounting policies (Continued)

(m) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(o) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(p) Taxation

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 Summary of significant accounting policies (Continued)

(p) Taxation (Continued)

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation against current taxation liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Retirement scheme obligations

Contributions to defined contribution retirement schemes which are available to all employees, calculated at rates specified in the rules of the schemes, are charged to the consolidated income statement when the contributions are payable to the fund.

(iii) Share-based payment

Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

3 Summary of significant accounting policies (Continued)

(q) Employee benefits (Continued)

(iii) Share-based payment (Continued)

Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(s) Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the activities of the Group. Revenue is recognised when it is probable that future economic benefits will flow to the Group, the amount can be measured reliably and specific criteria for each of the activities have been met. Revenue is shown net of discounts and other revenue reducing factors.

Agency fee from property agency business is recognised when the services are rendered, which is generally the time when the transacting parties first come into an agreement.

Operating lease rental income is recognised on a straight-line basis.

Web advertising income and other services income including income from property valuation, other advertising and referral services are recognised when services are rendered.

Revenue from immigration consultancy services is recognised on a success basis, i.e. when the relevant application for immigration is approved.

Finance income is recognised on a time proportion basis using the effective interest method.

(t) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(u) Dividend distribution

Dividend distribution is recognised as a liability in the consolidated financial statements in the financial period in which the dividends are approved by the shareholders or directors, as appropriate.

3 Summary of significant accounting policies (Continued)

(v) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to credit risk, foreign exchange risk, cash flow and fair value interest rate risk and liquidity risk. The overall risk management programme of the Group focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances and trade and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivables by taking into account of the market conditions, customers' profiles and completion terms to ensure that adequate impairment is made for the irrecoverable amounts.

Cash and bank balances are deposits in banks with sound credit ratings. Given their sound credit ratings, the Group does not expect to have high credit risk in this aspect.

The Company has no significant exposure to credit risk because the Company's assets are mainly relating to balances with subsidiaries.

(ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy and has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

At the balance sheet date, the foreign exchange risk of the Group is considered to be insignificant. This is due to the Group's transactions being generally denominated in the functional currencies of the respective group entities.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risks arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates.

At the balance sheet date, the interest rate risk of the Group is considered to be insignificant.

Notes to the Financial Statements

4 Financial risk management (Continued)**(a) Financial risk factors (Continued)****(iv) Liquidity risk**

The Group maintains its own treasury function (the “Group Finance”) to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations. Cash flow forecast is performed in the operating entities of the Group and aggregated by the Group Finance. The Group Finance monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient head-room on its undrawn facilities (note 26) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Finance. The Group Finance invests surplus cash in interest bearing time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room for the Group to meet the liquidity requirements. At 31 December 2015, the Group held cash and bank balances of HK\$1,303,066,000 (2014: HK\$1,764,485,000) that are expected to readily generate cash inflows for managing liquidity risk.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group’s financial liabilities based on undiscounted cash flows and the earliest date the Group can be required to pay. Specifically, for the bank loan which contains a repayment on demand clause which can be exercised at the banks’ sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loan with immediate effect. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand HK\$'000	Less than 1 year HK\$'000
At 31 December 2015		
Trade and other payables	–	1,514,506
Borrowings	58,865	–
	<u>58,865</u>	<u>1,514,506</u>
At 31 December 2014		
Trade and other payables	–	2,041,096
Borrowings	427,609	–
	<u>427,609</u>	<u>2,041,096</u>

4 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to the equity holders and borrowings. In order to maintain or adjust the capital structure, the Group will consider macroeconomic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may adjust the amount of dividend paid to shareholders, repurchase of shares from shareholders or raise funding through borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio and the current ratio. The gearing ratio is calculated as total borrowings divided by total equity. The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015 HK\$'000	2014 HK\$'000
Borrowings	58,188	426,118
Total equity	1,530,007	1,606,540
Gearing ratio	3.80%	26.52%

The current ratio of the Group, which represents a ratio of current assets over current liabilities, at 31 December 2015 and 2014 were as follows:

	2015 HK\$'000	2014 HK\$'000
Current assets	2,737,177	3,755,860
Current liabilities	1,575,692	2,487,023
Current ratio	1.7	1.5

The current ratio of the Group is maintained at a stable level.

Notes to the Financial Statements

4 Financial risk management (Continued)**(c) Fair value estimation**

The carrying amounts of the financial assets of the Group, including cash and bank balances and trade and other receivables; and financial liabilities including trade and other payables approximate their fair values due to their short-term maturities.

The financial instruments are measured in the balance sheet at fair value, by level of the following fair value measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following tables present the Group's financial instruments that are measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2015				
Assets				
Available-for-sale financial assets	—	11,982	—	11,982
As at 31 December 2014				
Assets				
Available-for-sale financial assets	—	12,566	—	12,566

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as quoted market prices or dealer quotes for similar instruments, or discounted cash flow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between levels 1 and 2 during the year.

The fair value estimation of investment properties is disclosed in note 17.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements in applying the Group's accounting policies, and estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Revenue recognition

Management reviews the sales transactions to determine whether it is probable that future economic benefits arising from the sales transactions would flow to the Group taking into account the market conditions, customers' profiles, completion terms and other relevant factors. Revenues from those transactions whose economic benefits are not probable to flow into the Group would not be recognised in the consolidated income statement until relevant transactions are completed or until the uncertainty is removed.

(ii) Impairment of trade receivables

Management reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment is made for the irrecoverable amounts. Management assesses the recoverable amount of each individual trade receivables whether there is objective evidence that the trade receivables are impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions. Management reassesses the provision at each balance sheet date.

(iii) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 17.

(iv) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation assets and liabilities in the period in which such determination is made.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

Notes to the Financial Statements

6 Revenues

	2015 HK\$'000	2014 HK\$'000
Agency fee	3,874,563	4,078,198
Immigration consultancy services	23,894	33,820
Rental income	4,383	2,874
Web advertising	1,415	1,525
Other services	2,269	1,850
	<u>3,906,524</u>	<u>4,118,267</u>

7 Segment information

The chief operating decision makers have been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

Management assesses the performance based on the nature of the Group's businesses which are principally located in Hong Kong, the PRC and Macau, and comprises property agency businesses for residential, commercial and industrial properties and shops, and other businesses mainly include property leasing and immigration consultancy services.

	Year ended 31 December 2015			
	Property agency		Others HK\$'000	Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000		
Total revenues	3,387,450	588,217	39,642	4,015,309
Inter-segment revenues	(74,688)	(26,416)	(7,681)	(108,785)
Revenues from external customers	<u>3,312,762</u>	<u>561,801</u>	<u>31,961</u>	<u>3,906,524</u>
Segment results	<u>(67,129)</u>	<u>(4,039)</u>	<u>23,868</u>	<u>(47,300)</u>
Impairment of receivables	67,538	27,737	168	95,443
Depreciation and amortisation costs	34,350	6,760	1,096	42,206
Share of results of joint ventures	–	–	13,919	13,919
Fair value gain on investment properties	–	–	2,183	2,183
Additions to non-current assets	<u>55,596</u>	<u>5,779</u>	<u>1,185</u>	<u>62,560</u>

7 Segment information (Continued)

	Year ended 31 December 2014			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	3,564,124	629,034	48,121	4,241,279
Inter-segment revenues	(87,646)	(27,314)	(8,052)	(123,012)
Revenues from external customers	<u>3,476,478</u>	<u>601,720</u>	<u>40,069</u>	<u>4,118,267</u>
Segment results	<u>120,989</u>	<u>23,959</u>	<u>19,785</u>	<u>164,733</u>
Impairment of receivables	55,125	13,922	–	69,047
Depreciation and amortisation costs	42,276	9,284	906	52,466
Share of results of joint ventures	–	–	11,547	11,547
Fair value gain on investment properties	–	–	2,615	2,615
Additions to non-current assets	<u>21,162</u>	<u>687</u>	<u>378</u>	<u>22,227</u>

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, realised gain/(loss) on available-for-sale financial assets, finance income, finance costs and taxation are not included in the segment results.

Revenues between segments arose from transactions which are carried out on terms with reference to market practice. Revenues from external customers reported to the Executive Directors are measured in a manner consistent with that in the consolidated income statement.

A reconciliation of segment results to (loss)/profit before taxation is provided as follows:

	2015 HK\$'000	2014 HK\$'000
Segment results for reportable segments	(47,300)	164,733
Corporate expenses	(36,230)	(33,231)
Realised gain/(loss) on available-for-sale financial assets	306	(592)
Finance income	2,663	3,196
Finance costs	<u>(10,028)</u>	<u>(19,791)</u>
(Loss)/profit before taxation per consolidated income statement	<u>(90,589)</u>	<u>114,315</u>

Notes to the Financial Statements

7 Segment information (Continued)

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and available-for-sale financial assets, all of which are managed on a central basis. The following is assets and liabilities by reporting segments:

	As at 31 December 2015			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	<u>1,570,198</u>	<u>860,192</u>	<u>198,211</u>	<u>2,628,601</u>
Segment assets include:				
Interests in joint ventures	<u>–</u>	<u>–</u>	<u>70,887</u>	<u>70,887</u>
Segment liabilities	<u>1,251,220</u>	<u>232,662</u>	<u>25,058</u>	<u>1,508,940</u>

	As at 31 December 2014			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	<u>2,536,243</u>	<u>896,228</u>	<u>179,352</u>	<u>3,611,823</u>
Segment assets include:				
Interests in joint ventures	<u>–</u>	<u>–</u>	<u>63,358</u>	<u>63,358</u>
Segment liabilities	<u>1,743,004</u>	<u>265,593</u>	<u>30,459</u>	<u>2,039,056</u>

7 Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2015 HK\$'000	2014 HK\$'000
Segment assets	2,628,601	3,611,823
Corporate assets	452,245	450,379
Deferred taxation assets	15,992	21,652
Available-for-sale financial assets	11,982	12,566
Total assets per consolidated balance sheet	<u>3,108,820</u>	<u>4,096,420</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2015 HK\$'000	2014 HK\$'000
Segment liabilities	1,508,940	2,039,056
Corporate liabilities	66,752	447,967
Deferred taxation liabilities	3,121	2,857
Total liabilities per consolidated balance sheet	<u>1,578,813</u>	<u>2,489,880</u>

Geographical information:

	2015 HK\$'000	2014 HK\$'000
Hong Kong and Macau	2,943,482	3,476,196
PRC	963,042	642,071
Revenues from external customers	<u>3,906,524</u>	<u>4,118,267</u>

Revenues are attributed to locations where the transactions took place.

Notes to the Financial Statements

8 Other income

	2015 HK\$'000	2014 HK\$'000
Fair value gain on investment properties (note 17)	2,183	2,615
Realised gain/(loss) on available-for-sale financial assets	306	(592)
Others	3,706	4,507
	<u>6,195</u>	<u>6,530</u>

9 Staff costs, including directors' emoluments

	2015 HK\$'000	2014 HK\$'000
Salaries and allowances	873,792	754,585
Commissions	1,352,958	1,361,755
Pension costs for defined contribution plans	91,338	75,352
Share-based benefits	1,216	879
	<u>2,319,304</u>	<u>2,192,571</u>

The Group participates in a mandatory provident fund ("MPF") scheme which is available to eligible employees of the Group, including Executive Directors. Contributions to the MPF scheme by the Group and employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

The Group also contributes to employee retirement schemes established by municipal governments in respect of certain subsidiaries in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

The cost of the MPF scheme charged to the consolidated income statement represents contributions paid and payable by the Group to the fund.

10 Benefit and interest of directors and five highest paid individuals

(a) Benefit and interest of directors

The remuneration of each director for the year ended 31 December 2015 is set out below:

Name of director	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive Directors					
Ms. TANG Mei Lai, Metty	–	554	–	17	571
Ms. WONG Ching Yi, Angela	230	5,435	–	18	5,683
Mr. WONG Tsz Wa, Pierre	150	7,397	–	18	7,565
Mr. CHEUNG Kam Shing	33	1,868	–	18	1,919
	<u>413</u>	<u>15,254</u>	<u>–</u>	<u>71</u>	<u>15,738</u>
Non-Executive Directors					
Mr. WONG Kin Yip, Freddie	220	167	–	–	387
Mr. KAN Chung Nin, Tony	220	–	–	–	220
Ms. IP Kit Yee, Kitty (Note)	205	2,533	94	17	2,849
	<u>645</u>	<u>2,700</u>	<u>94</u>	<u>17</u>	<u>3,456</u>
Note: Ms. IP Kit Yee, Kitty was re-designated from an Executive Director to a Non-Executive Director on 28 November 2015.					
Independent Non-Executive Directors					
Mr. KOO Fook Sun, Louis	220	–	–	–	220
Mr. SUN Tak Chiu	220	–	–	–	220
Mr. CHAN Nim Leung, Leon	220	–	–	–	220
Mr. WONG San	220	–	–	–	220
	<u>880</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>880</u>
	<u>1,938</u>	<u>17,954</u>	<u>94</u>	<u>88</u>	<u>20,074</u>

Notes to the Financial Statements

10 Benefit and interest of directors and five highest paid individuals (Continued)

(a) Benefit and interest of directors (Continued)

The remuneration of each director for the year ended 31 December 2014 is set out below:

Name of director	Fees HK\$'000	Salaries and allowances HK\$'000	Performance incentive HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive Directors						
Ms. TANG Mei Lai, Metty	–	3,527	161	–	33	3,721
Ms. WONG Ching Yi, Angela	41	1,831	1,121	–	18	3,011
Mr. WONG Tsz Wa, Pierre	–	5,313	1,346	–	20	6,679
Ms. IP Kit Yee, Kitty	37	2,220	187	282	17	2,743
Mr. CHEUNG Kam Shing	–	1,873	187	–	18	2,078
	<u>78</u>	<u>14,764</u>	<u>3,002</u>	<u>282</u>	<u>106</u>	<u>18,232</u>
Non-Executive Directors						
Mr. WONG Kin Yip, Freddie	200	660	–	–	10	870
Mr. KAN Chung Nin, Tony (Appointed on 15 March 2014)	160	–	–	–	–	160
	<u>360</u>	<u>660</u>	<u>–</u>	<u>–</u>	<u>10</u>	<u>1,030</u>
Independent Non-Executive Directors						
Mr. KOO Fook Sun, Louis	200	–	–	–	–	200
Mr. SUN Tak Chiu	200	–	–	–	–	200
Mr. CHAN Nim Leung, Leon	200	–	–	–	–	200
Mr. WONG San	200	–	–	–	–	200
	<u>800</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>800</u>
	<u>1,238</u>	<u>15,424</u>	<u>3,002</u>	<u>282</u>	<u>116</u>	<u>20,062</u>

(i) Directors' emoluments

Director's fee of HK\$120,000 (2014: HK\$7,000) received by Ms. TANG Mei Lai, Metty from Midland IC&I Limited ("Midland IC&I") was paid back to the Company. The amount has not been included in the above balance.

In addition to the directors' emoluments disclosed above, the estimated value of share options granted by a subsidiary to Mr. WONG Tsz Wa, Pierre, Ms. IP Kit Yee, Kitty and Mr. CHEUNG Kam Shing amounted to HK\$842,000, HK\$94,000 and HK\$140,000 (2014: HK\$609,000, HK\$68,000 and HK\$102,000) respectively. Including the estimated value of share options granted, total remuneration of Mr. WONG Tsz Wa, Pierre, Ms. IP Kit Yee, Kitty and Mr. CHEUNG Kam Shing for the year ended 31 December 2015 amounted to HK\$8,407,000, HK\$2,943,000 and HK\$2,059,000 (2014: HK\$7,288,000, HK\$2,811,000 and HK\$2,180,000) respectively. The total remuneration of Ms. IP Kit Yee, Kitty from 1 January 2015 up to the date of re-designation were HK\$2,911,000.

No director waived or agreed to waive any emoluments during the year (2014: nil). No incentive payment for joining the Group was paid or payable to any directors during the year (2014: nil).

10 Benefit and interest of directors and five highest paid individuals (Continued)

(a) Benefit and interest of directors (Continued)

(ii) Directors' retirement benefits and termination benefits

None of the directors received any retirement benefits or termination benefits during the financial year (2014: nil).

(iii) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, the Group did not pay consideration to any third parties for making available directors' services (2014: nil).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by such directors and entities connected with such directors

As at 31 December 2015, there were no loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by such directors and entities connected with such directors (2014: nil).

(v) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in note 32(a), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include four (2014: four) directors whose emoluments are reflected in the analysis shown in note 10(a). The emoluments payable to the remaining one (2014: one) individual during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and allowances	2,278	2,130
Discretionary bonus	242	551
Retirement benefit costs	18	17
	<u>2,538</u>	<u>2,698</u>

Notes to the Financial Statements

11 Operating (loss)/profit

Operating (loss)/profit is arrived at after charging:

	2015 HK\$'000	2014 HK\$'000
Loss on disposal of property and equipment	1,239	3,488
Direct operating expenses arising from investment properties that:		
– generated rental income	454	471
– did not generate rental income	58	34
Auditor's remuneration		
– audit services	3,958	3,682
– non-audit services	916	916
	<u>916</u>	<u>916</u>

12 Finance income and costs

	2015 HK\$'000	2014 HK\$'000
Finance income		
Bank interest income	2,663	3,196
Finance costs		
Interest on bank loans, overdrafts and other loans	(10,028)	(19,791)
Finance costs, net	<u>(7,365)</u>	<u>(16,595)</u>

13 Taxation

	2015 HK\$'000	2014 HK\$'000
Current		
Hong Kong profits tax	2,656	22,524
Overseas	13	2,740
Deferred (note 27)	5,924	14,293
	<u>8,593</u>	<u>39,557</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

13 Taxation (Continued)

The tax on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2015 HK\$'000	2014 HK\$'000
(Loss)/profit before taxation	(90,589)	114,315
Less: share of results of joint ventures	(13,919)	(11,547)
	<u>(104,508)</u>	<u>102,768</u>
Calculated at a taxation rate of 16.5% (2014: 16.5%)	(17,244)	16,957
Effect of different taxation rates in other countries	(965)	(3,309)
Income not subject to taxation	(649)	(873)
Expenses not deductible for taxation purposes	942	959
Utilisation of previously unrecognised tax losses	(8,227)	(6,441)
Tax losses not recognised	34,274	32,279
Others	462	(15)
Taxation charge	<u>8,593</u>	<u>39,557</u>

14 Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: nil).

Notes to the Financial Statements

15 (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	2015 HK\$'000	2014 HK\$'000
(Loss)/profit attributable to equity holders	<u>(99,486)</u>	<u>63,975</u>
Number of shares for calculation of basic earnings per share (thousands)	718,046	718,046
Effect on conversion of share options (thousands)	<u>–</u>	<u>49</u>
Number of shares for calculation of diluted earnings per share (thousands)	<u>718,046</u>	<u>718,095</u>
Basic (loss)/earnings per share (HK cents)	<u>(13.86)</u>	<u>8.91</u>
Diluted (loss)/earnings per share (HK cents)	<u>(13.86)</u>	<u>8.91</u>

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

In calculating the diluted (loss)/earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted loss per share for the year ended 31 December 2015 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

Notes to the Financial Statements

16 Property and equipment

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2015						
Cost	190,706	216,927	64,712	192,276	4,683	669,304
Accumulated depreciation and amortisation	(99,597)	(197,306)	(49,350)	(165,156)	(4,154)	(515,563)
Net book amount	<u>91,109</u>	<u>19,621</u>	<u>15,362</u>	<u>27,120</u>	<u>529</u>	<u>153,741</u>
Year ended 31 December 2015						
Opening net book amount	91,109	19,621	15,362	27,120	529	153,741
Change in fair value upon transfer to investment properties	14,101	–	–	–	–	14,101
Transfer to investment properties (note 17)	(16,410)	–	–	–	–	(16,410)
Additions	–	35,679	14,679	11,152	–	61,510
Disposals	–	(99)	(281)	(871)	–	(1,251)
Depreciation and amortisation costs	(1,875)	(19,121)	(7,714)	(14,413)	(243)	(43,366)
Exchange differences	(30)	(928)	(881)	(11)	–	(1,850)
Closing net book amount	<u>86,895</u>	<u>35,152</u>	<u>21,165</u>	<u>22,977</u>	<u>286</u>	<u>166,475</u>
At 31 December 2015						
Cost	185,273	241,088	75,316	199,982	4,683	706,342
Accumulated depreciation and amortisation	(98,378)	(205,936)	(54,151)	(177,005)	(4,397)	(539,867)
Net book amount	<u>86,895</u>	<u>35,152</u>	<u>21,165</u>	<u>22,977</u>	<u>286</u>	<u>166,475</u>
At 1 January 2014						
Cost	190,725	232,092	67,755	195,536	4,683	690,791
Accumulated depreciation and amortisation	(97,669)	(196,078)	(46,600)	(157,038)	(3,800)	(501,185)
Net book amount	<u>93,056</u>	<u>36,014</u>	<u>21,155</u>	<u>38,498</u>	<u>883</u>	<u>189,606</u>
Year ended 31 December 2014						
Opening net book amount	93,056	36,014	21,155	38,498	883	189,606
Additions	–	14,189	2,755	5,283	–	22,227
Disposals	–	(446)	(1,639)	(1,458)	–	(3,543)
Depreciation and amortisation costs	(1,930)	(29,682)	(6,468)	(15,190)	(354)	(53,624)
Exchange differences	(17)	(454)	(441)	(13)	–	(925)
Closing net book amount	<u>91,109</u>	<u>19,621</u>	<u>15,362</u>	<u>27,120</u>	<u>529</u>	<u>153,741</u>
At 31 December 2014						
Cost	190,706	216,927	64,712	192,276	4,683	669,304
Accumulated depreciation and amortisation	(99,597)	(197,306)	(49,350)	(165,156)	(4,154)	(515,563)
Net book amount	<u>91,109</u>	<u>19,621</u>	<u>15,362</u>	<u>27,120</u>	<u>529</u>	<u>153,741</u>

Land and buildings with net book value of HK\$86,305,000 (2014: HK\$90,471,000) are pledged as security for the Group's borrowing facilities (note 26).

Notes to the Financial Statements

17 Investment properties

	2015 HK\$'000	2014 HK\$'000
Opening net book amount	87,910	86,049
Change in fair value to income statement (note 8)	2,183	2,615
Transfer from property and equipment (note 16)	16,410	–
Exchange differences	(1,429)	(754)
Closing net book amount	<u>105,074</u>	<u>87,910</u>

The fair value gain on investment properties is included in “Other income” in the consolidated income statement (note 8).

As at 31 December 2015, valuations were undertaken by Midland Surveyors Limited, a qualified professional valuer under the Group with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties in Hong Kong and the PRC are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers’ interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers’ view of recent lettings, within the subject properties and other comparable properties.

The Group’s policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

Information about fair value measurements using significant unobservable inputs:

Location of investment properties	Fair value HK\$'000	Range of significant unobservable inputs	
		Prevailing market rent per month	Capitalisation rate
Hong Kong	76,360	HK\$44 to HK\$110 per sq. ft. (saleable) (2014: HK\$42 to HK\$98 per sq. ft. (saleable))	3.00% to 5.00% (2014: 3.50% to 5.20%)
The PRC	28,714	RMB155 to RMB1,550 per sq. m. (gross) (2014: RMB149 to RMB1,440 per sq. m. (gross))	4.90% to 5.80% (2014: 4.70% to 5.60%)
Total	<u>105,074</u>		

Prevailing market rents are estimated based on qualified valuers’ view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates are estimated by qualified valuers based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

Investment properties with net book value of HK\$76,360,000 (2014: HK\$58,310,000) are pledged as security for the Group’s borrowing facilities (note 26).

18 Land use rights

Land use rights represent prepaid operating lease payments:

	2015 HK\$'000	2014 HK\$'000
Opening net book amount	1,333	1,407
Amortisation	(37)	(39)
Exchange differences	(63)	(35)
Closing net book amount	<u>1,233</u>	<u>1,333</u>

19 Interests in joint ventures

	2015 HK\$'000	2014 HK\$'000
Share of net assets	<u>70,887</u>	<u>63,358</u>
Unlisted shares, at costs		
At beginning of the year	12,044	12,044
Additions	1,050	–
At end of the year	<u>13,094</u>	<u>12,044</u>

The management considers the interests in joint ventures are not individually material to the Group.

Details of principal joint ventures are set out in note 34(b) to the financial statements.

The summarised financial information below represent the aggregate amount of the Group's share of its interests in joint ventures which are not individually material:

	2015 HK\$'000	2014 HK\$'000
Share of profit	13,919	11,547
Share of other comprehensive income	–	–
Share of total comprehensive income	<u>13,919</u>	<u>11,547</u>
Carrying amount of interests in these joint ventures	<u>70,887</u>	<u>63,358</u>

There are no significant contingent liabilities and capital commitments relating to the Group's interests in the joint ventures and the joint ventures do not have any significant contingent liabilities and capital commitments as at 31 December 2015 and 2014.

Notes to the Financial Statements

20 Available-for-sale financial assets

	2015 HK\$'000	2014 HK\$'000
Unlisted investments, at fair value	<u>11,982</u>	<u>12,566</u>

The Group's available-for-sale financial assets are denominated in United States dollars.

21 Trade and other receivables

	2015 HK\$'000	2014 HK\$'000
Trade receivables	1,256,914	1,876,857
Less: provision for impairment	<u>(163,290)</u>	<u>(185,006)</u>
Trade receivables, net	1,093,624	1,691,851
Other receivables, prepayments and deposits	<u>319,155</u>	<u>298,187</u>
	<u>1,412,779</u>	<u>1,990,038</u>

Trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	2015 HK\$'000	2014 HK\$'000
Not yet due	1,027,974	1,646,247
Less than 30 days	21,872	19,386
31 to 60 days	27,004	12,617
61 to 90 days	9,078	4,547
Over 90 days	<u>7,696</u>	<u>9,054</u>
	<u>1,093,624</u>	<u>1,691,851</u>

Trade receivables of HK\$65,650,000 (2014: HK\$45,604,000) were past due but not impaired. Such receivables were either past due for less than six months or subsequently settled after the year end.

As at 31 December 2015, provision for impairment for trade receivables of HK\$163,290,000 (2014: HK\$185,006,000) was made after taking into accounts the ageing of the trade receivables, the default history of customers or other specific reasons.

21 Trade and other receivables (Continued)

Movements in the provision for impairment of trade receivables are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 January	185,006	196,448
Provision for impairment	95,443	69,047
Write-off of uncollectible debts	(117,159)	(80,489)
At 31 December	<u>163,290</u>	<u>185,006</u>

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

The Group's trade and other receivables are mainly denominated in Hong Kong dollars and Renminbi.

Borrowing facilities granted to the Group were also secured by floating charge over certain receivables of the Group, inter alia, with carrying value of approximately HK\$932,017,000 as at 31 December 2015 (2014: HK\$307,620,000).

22 Cash and bank balances

	2015 HK\$'000	2014 HK\$'000
Cash at banks and in hand	713,530	1,187,548
Bank deposits	589,536	576,937
Cash and bank balances	1,303,066	1,764,485
Less:		
Bank deposits with maturity over three months from date of deposits (note a)	–	(5,000)
Pledged bank deposit (note b)	–	(3,400)
Cash and cash equivalents in the consolidated statement of cash flows	<u>1,303,066</u>	<u>1,756,085</u>

Notes:

- (a) As at 31 December 2014, the cash and bank balances include guarantee deposits of HK\$5,000,000 were placed by certain wholly-owned subsidiaries for business purposes at designated bank accounts in the PRC.
- (b) As at 31 December 2014, bank deposits of HK\$3,400,000 were pledged as securities for the rental guarantee provided by bank to landlord of the Group.

As at 31 December 2015, the cash and bank balances include cashier orders amounted to HK\$298,920,000 (2014: HK\$782,640,000), certain amount of which were placed to property developers for business purpose.

As at 31 December 2015 and 2014, the Group's cash and cash equivalents and short term bank deposits included balances of HK\$182,192,000 and HK\$120,676,000 respectively, which were deposits with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Financial Statements

23 Share capital and premium

	Number of issued shares (HK\$0.10 each)	Nominal value HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2014, 31 December 2014 and 31 December 2015	<u>718,046,005</u>	<u>71,805</u>	<u>223,505</u>	<u>295,310</u>

Notes:

(a) Share capital

The total authorised number of ordinary shares is 1 billion shares (2014: 1 billion shares) with a nominal value of HK\$0.10 per share (2014: HK\$0.10 per share). All issued shares are fully paid.

(b) Share options of the Company

- (i) Terms of unexpired and unexercised share options at balance sheet date

Share options outstanding at the end of the year have the following exercisable period and exercise prices:

Exercisable period	Exercise price per option HK\$	Number of options	
		2015	2014
1 August 2011 to 31 July 2019	4.29	3,904,580	3,904,580
1 January 2012 to 31 December 2019	4.29	3,604,580	3,604,580
1 January 2012 to 31 December 2019	3.81	7,209,160	7,209,160
1 October 2013 to 30 September 2021	3.81	7,209,160	7,209,160
		<u>21,927,480</u>	<u>21,927,480</u>

- (ii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Weighted average exercise price per option HK\$	Number of options	Weighted average exercise price per option HK\$	Number of options
At beginning and end of the year	3.974	<u>21,927,480</u>	3.974	<u>21,927,480</u>

All the outstanding options were exercisable as at 31 December 2015 and 2014.

The options outstanding as at 31 December 2015 had an exercise price of HK\$3.81 or HK\$4.29 (2014: HK\$3.81 or HK\$4.29) and a weighted average remaining contractual life of 4.50 years (2014: 5.50 years).

No share options had been granted or exercised during the year (2014: nil). In 2015, there was no share option expense recognised (2014: nil) in relation to share options granted under the share option scheme of the Company.

23 Share capital and premium (Continued)

Notes: (Continued)

(c) Share options of Midland IC&I

- (i) Terms of unexpired and unexercised share option at balance sheet date

Share options outstanding at the end of the year have the following exercisable period and exercise prices:

Exercisable period	Exercise price per option HK\$	Number of options	
		2015	2014
1 October 2011 to 30 September 2016	0.053	20,000,000	20,000,000
15 December 2014 to 14 December 2019	0.044	38,330,000	43,330,000
15 December 2015 to 14 December 2019	0.044	43,330,000	43,330,000
15 December 2016 to 14 December 2019	0.044	43,340,000	43,340,000
		145,000,000	150,000,000

The vesting period of these options ends when they become exercisable.

- (ii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Weighted average exercise price per option HK\$	Number of options	Weighted average exercise price per option HK\$	Number of options
At beginning of the year	0.045	150,000,000	0.053	20,000,000
Granted	–	–	0.044	130,000,000
Exercised	0.044	(5,000,000)	–	–
At end of the year	0.045	145,000,000	0.045	150,000,000

- (iii) Fair value of share options and assumptions

The fair value of options granted during the year ended 31 December 2014 determined using the Trinomial valuation model was HK\$0.0191 or HK\$0.0195 per option. The significant inputs into the model were closing share price of HK\$0.043 at the grant date, exercise price shown above, volatility of 54.47%, expected dividend yield of 0%, an expected option life of three to five years, and an annual risk-free interest rate of 1.3%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the five years before grant date.

Out of the 145,000,000 outstanding options (2014: 150,000,000), 101,660,000 options (2014: 63,330,000) were exercisable as at 31 December 2015.

The options outstanding as at 31 December 2015 had an exercise price of HK\$0.044 or HK\$0.053 (2014: HK\$0.044 or HK\$0.053) and a weighted average remaining contractual life of 3.23 years (2014: 3.69 years).

During the year, 5,000,000 share options were exercised and resulted in 5,000,000 shares being issued at HK\$0.044 each. The share price at the time of exercise was HK\$0.07 per share.

The Group recognised a total expense of HK\$1,216,000 for the year ended 31 December 2015 (2014: HK\$879,000) in relation to share options granted under the share option scheme of Midland IC&I.

Notes to the Financial Statements

24 Reserves

	Capital redemption reserve	Capital reserve	Legal reserve	Employee benefits reserve	Exchange reserve	Investment revaluation reserve	Property revaluation reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	4,917	(11,553)	12	35,494	23,962	(378)	10,100	1,048,245	1,110,799
Loss for the year	-	-	-	-	-	-	-	(99,486)	(99,486)
Currency translation differences	-	-	-	-	5,662	-	-	-	5,662
Change in fair value of available-for-sale financial assets	-	-	-	-	-	1,450	-	-	1,450
Change in fair value of land and buildings upon transfer from owner-occupied properties to investment properties	-	-	-	-	-	-	14,101	-	14,101
Employee share option scheme									
- value of employee services	-	-	-	604	-	-	-	-	604
- shares issued by a subsidiary under employee share option scheme	-	-	-	(68)	-	-	-	-	(68)
At 31 December 2015	<u>4,917</u>	<u>(11,553)</u>	<u>12</u>	<u>36,030</u>	<u>29,624</u>	<u>1,072</u>	<u>24,201</u>	<u>948,759</u>	<u>1,033,062</u>
At 1 January 2014	4,917	(11,553)	12	34,615	22,872	(2,643)	10,100	984,270	1,042,590
Profit for the year	-	-	-	-	-	-	-	63,975	63,975
Currency translation differences	-	-	-	-	1,090	-	-	-	1,090
Change in fair value of available-for-sale financial assets	-	-	-	-	-	2,265	-	-	2,265
Employee share option scheme									
- value of employee services	-	-	-	879	-	-	-	-	879
At 31 December 2014	<u>4,917</u>	<u>(11,553)</u>	<u>12</u>	<u>35,494</u>	<u>23,962</u>	<u>(378)</u>	<u>10,100</u>	<u>1,048,245</u>	<u>1,110,799</u>

25 Trade and other payables

	2015 HK\$'000	2014 HK\$'000
Commissions payable	1,043,652	1,389,318
Other payables and accruals	470,854	651,778
	<u>1,514,506</u>	<u>2,041,096</u>

Commissions payable include mainly the commissions payable to property consultants, co-operative estate agents and clients, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$229,927,000 (2014: HK\$194,025,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

The Group's trade and other payables are mainly denominated in Hong Kong dollars and Renminbi.

26 Borrowings

As at 31 December 2015 and 2014, the Group's borrowings are with repayment on demand clause and classified as current liabilities.

The below amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

	Bank loans	
	2015 HK\$'000	2014 HK\$'000
Within 1 year	50,946	417,928
After 1 year but within 2 years	964	945
After 2 years but within 5 years	3,004	2,947
Over 5 years	3,274	4,298
	<u>58,188</u>	<u>426,118</u>

	2015	2014
	HK\$'000	HK\$'000
Bank loans		
– secured	58,188	409,118
– unsecured	–	17,000
	<u>58,188</u>	<u>426,118</u>

Borrowing facilities are secured by certain land and buildings and investment properties held by the Group (notes 16 and 17), certain trade receivables (note 21) and guarantees provided by the Company (note 29).

The effective interest rate of the borrowings is 1.74% to 1.87% (2014: 1.59% to 2.73%). The carrying amount and fair value of the borrowings are as follows:

	Carrying amount		Fair value	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowings	<u>58,188</u>	<u>426,118</u>	<u>58,188</u>	<u>426,118</u>

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 1.74% to 1.87% (2014: 1.59% to 2.73%).

The Group has the following undrawn borrowing facilities:

	2015	2014
	HK\$'000	HK\$'000
Floating rates		
Expiring within one year	<u>1,485,000</u>	<u>413,000</u>

Borrowings are denominated in Hong Kong dollars.

Notes to the Financial Statements

27 Deferred taxation

	2015 HK\$'000	2014 HK\$'000
Deferred taxation assets	(15,992)	(21,652)
Deferred taxation liabilities	3,121	2,857
	<u>(12,871)</u>	<u>(18,795)</u>

The net movements on the deferred taxation are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 January	(18,795)	(33,088)
Recognised in the consolidated income statement (note 13)	5,924	14,293
At 31 December	<u>(12,871)</u>	<u>(18,795)</u>

The movements in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred taxation assets

	Provision HK\$'000	Decelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2014	(16,236)	(2,021)	(17,881)	(36,138)
Recognised in the consolidated income statement	<u>1,814</u>	<u>(1,243)</u>	<u>13,915</u>	<u>14,486</u>
At 31 December 2014	(14,422)	(3,264)	(3,966)	(21,652)
Recognised in the consolidated income statement	<u>4,827</u>	<u>1,118</u>	<u>(371)</u>	<u>5,574</u>
At 31 December 2015	<u>(9,595)</u>	<u>(2,146)</u>	<u>(4,337)</u>	<u>(16,078)</u>

27 Deferred taxation (Continued)

Deferred taxation liabilities

	Accelerated tax depreciation	
	2015 HK\$'000	2014 HK\$'000
As 1 January	2,857	3,050
Recognised in the consolidated income statement	350	(193)
At 31 December	<u>3,207</u>	<u>2,857</u>

Deferred taxation assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred taxation assets of HK\$100,775,000 (2014: HK\$97,839,000) in respect of losses amounting to HK\$511,896,000 (2014: HK\$461,266,000) as at 31 December 2015. These tax losses are subject to the agreement with the tax authorities and can be carried forward against future taxable income. Tax losses amounting to HK\$191,913,000 (2014: HK\$255,651,000) will expire from 2016 to 2020 (2014: from 2015 to 2019).

The analysis of deferred taxation assets and deferred taxation liabilities is as follows:

	2015 HK\$'000	2014 HK\$'000
Deferred taxation assets		
Recoverable after more than twelve months	(1,825)	(5,806)
Recoverable within twelve months	(14,167)	(15,846)
	<u>(15,992)</u>	<u>(21,652)</u>
Deferred taxation liabilities		
Payable or settle after more than twelve months	2,581	2,392
Payable or settle within twelve months	540	465
	<u>3,121</u>	<u>2,857</u>

Notes to the Financial Statements

28 Notes to consolidated statement of cash flows**Reconciliation of operating (loss)/profit to net cash generated from operations**

	2015 HK\$'000	2014 HK\$'000
Operating (loss)/profit	(97,143)	119,363
Impairment of receivables	95,443	69,047
Depreciation and amortisation costs	43,403	53,663
Fair value gain on investment properties	(2,183)	(2,615)
Realised (gain)/loss on available-for-sale financial assets	(306)	592
Loss on disposal of property and equipment	1,239	3,488
Share-based benefits	1,216	879
Operating profit before working capital changes	41,669	244,417
Decrease/(increase) in trade and other receivables	477,304	(611,120)
(Decrease)/increase in trade and other payables	(507,326)	738,456
Net cash generated from operations	<u>11,647</u>	<u>371,753</u>

29 Contingent liabilities

As at 31 December 2015, the Company executed corporate guarantee of HK\$1,562,000,000 as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2014, the Company executed corporate guarantee of HK\$864,500,000 as part of the securities for general banking and other loan facilities granted to certain wholly-owned subsidiaries of the Company. At 31 December 2015, HK\$59,364,000 of these facilities were utilised by the subsidiaries (2014: HK\$426,179,000).

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow is probable.

30 Future lease rental receivable

The Group had future minimum lease rental receivable under non-cancellable operating leases as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	3,293	2,734
After one year but within five years	2,885	2,915
	<u>6,178</u>	<u>5,649</u>

31 Commitments

(a) Capital commitments

The Group did not have any significant capital commitments as at 31 December 2015 and 2014.

(b) Operating lease commitments

The Group had future aggregate minimum lease payable under non-cancellable operating leases in respect of office and shop premises as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	513,241	453,705
After one year but within five years	389,035	303,599
More than five years	2,458	1,205
	<u>904,734</u>	<u>758,509</u>

32 Significant related party transactions

The Group had the following significant transactions with related parties during the year:

	Note	2015 HK\$'000	2014 HK\$'000
(a) Transactions with related parties			
Operating lease rental expenses paid to related companies in respect of office and shop premises	(i)	9,454	9,094
Interest on loans provided by a director		–	973
Consultancy fee paid to a director	(ii)	<u>2,186</u>	<u>3,360</u>
(b) Key management compensation			
Fees, salaries, allowances and incentives	(iii)	18,475	18,126
Share-based benefits	(iii)	1,068	779
Retirement benefit costs	(iii)	88	106
		<u>19,631</u>	<u>19,011</u>

Notes:

- (i) The Group entered into certain operating lease agreements with certain related companies owned by Mr. WONG Kin Yip, Freddie, who is the director of the Company and also the family member of Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela, on terms mutually agreed by both parties.
- (ii) Consultancy fee was paid to a director, Mr. WONG Kin Yip, Freddie, for acting as the strategic consultant of the Company.
- (iii) The amount represents emoluments paid or payable to Executive Directors for the year.

Notes to the Financial Statements

33 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December	
		2015 HK\$'000	2014 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		108,501	108,501
Current assets			
Other receivables, prepayments and deposits		1,124	690
Amounts due from subsidiaries		935,490	2,624,310
Taxation recoverable		44	627
Cash and cash equivalents		550	706
		937,208	2,626,333
Total assets		1,045,709	2,734,834
EQUITY AND LIABILITIES			
Equity holders			
Share capital		71,805	71,805
Share premium		223,505	223,505
Reserves	(a)	741,874	740,615
Total equity		1,037,184	1,035,925
Current liabilities			
Other payables and accruals		8,208	21,166
Amounts due to subsidiaries		317	1,677,743
Total liabilities		8,525	1,698,909
Total equity and liabilities		1,045,709	2,734,834

The balance sheet of the Company was approved by the Board of Directors on 23 March 2016 and was signed on its behalf.

WONG Ching Yi, Angela

Director

WONG Tsz Wa, Pierre

Director

33 Balance sheet and reserve movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Capital redemption reserve HK\$'000	Employee benefits reserve HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015	4,917	34,217	108,001	593,480	740,615
Profit for the year	–	–	–	1,259	1,259
At 31 December 2015	<u>4,917</u>	<u>34,217</u>	<u>108,001</u>	<u>594,739</u>	<u>741,874</u>
At 1 January 2014	4,917	34,217	108,001	593,288	740,423
Profit for the year	–	–	–	192	192
At 31 December 2014	<u>4,917</u>	<u>34,217</u>	<u>108,001</u>	<u>593,480</u>	<u>740,615</u>

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Astra Profits Limited and the value of net assets of underlying subsidiaries acquired as at 12 May 1995. The contributed surplus is distributable to the equity holders. In the Group's financial statements, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

34 Particulars of principal subsidiaries and joint ventures

(a) Principal subsidiaries

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %	
				2015	2014
Astra Profits Limited (note a)	British Virgin Islands	4 shares of US\$1 each	Investment holding in Hong Kong	100	100
Guangzhou Midland Property Agency Company Limited (note b, c)	The PRC	US\$5,606,000	Property agency in the PRC	100	100
HKP Estate Agency (Macau) Limited (note b)	Macau	MOP\$25,000	Property agency in Macau	100	100
Hong Kong Property Services (Agency) Limited (note b)	Hong Kong	2 shares	Property agency in Hong Kong	100	100
Hong Kong Property Services (China) Limited (note b)	Hong Kong	1 share	Investment holding in the PRC	100	100
Hong Kong Property Services (IC&I) Limited (note b)	Hong Kong	2 shares	Property agency in Hong Kong	70.78	70.80
Jolly Grace Limited (note b)	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100	100
Midland IC&I Limited (note b)	Cayman Islands	13,705,000,000 shares of HK\$0.01 each	Investment holding in Hong Kong	70.78	70.80

Notes to the Financial Statements

34 Particulars of principal subsidiaries and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %	
				2015	2014
Midland CyberNet Limited (note b)	Hong Kong	39,100,000 shares	Investment holding and operation of internet website in Hong Kong	100	100
Midland HKP Services (Administration) Limited (note b)	Hong Kong	2 shares	Provision of management services in Hong Kong	100	100
Midland Immigration Consultancy Limited (note b)	Hong Kong	500,000 shares	Immigration consultancy services in Hong Kong	100	100
Midland Realty (Comm.) Limited (note b)	Hong Kong	500,000 shares	Property agency in Hong Kong	70.78	70.80
Midland Realty (Comm. & Ind.) Limited (note b)	Hong Kong	500,000 shares	Property agency in Hong Kong	70.78	70.80
Midland Realty (Macau) Limited (note b)	Macau	MOP\$25,000	Property agency in Macau	100	100
Midland Realty (Shops) Limited (note b)	Hong Kong	500,000 shares	Property agency in Hong Kong	70.78	70.80
Midland Realty (Strategic) Limited (note b)	Hong Kong	10,000 shares and 2,000,000 non-voting deferred shares	Investment holding and provision of administration services and treasury services to the group companies in Hong Kong	100	100
Midland Realty International Limited (note b)	Hong Kong	1,000 shares	Property agency in Hong Kong	100	100
Midland Surveyors Limited (note b)	Hong Kong	1,000,000 shares	Provision of professional surveying consultancy and valuation services in Hong Kong	100	100
Real Gain Limited (note b)	Hong Kong	10,000 shares	Property investment in Hong Kong	100	100
Teamway Group Limited (note b)	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	70.78	70.80
Teston Profits Limited (note b)	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100	100
Worldboss Limited (note b)	Hong Kong	2 shares	Property investment in Hong Kong	100	100
Perfect Tower Limited (note b)	Hong Kong	2 shares	Property investment in the PRC	100	100
港置地產代理(深圳)有限公司 (note b, c)	The PRC	HK\$45,000,000	Property agency in the PRC	100	100
美聯物業代理(深圳)有限公司 (note b, c)	The PRC	US\$13,510,000	Property agency in the PRC	100	100
重慶美聯營銷策劃有限公司 (note b, c)	The PRC	US\$2,147,000	Property agency in the PRC	100	100
成都港美聯房地產顧問有限公司 (note b, c)	The PRC	US\$1,065,000	Property agency in the PRC	100	100

34 Particulars of principal subsidiaries and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %	
				2015	2014
縱橫擔保(深圳)有限公司 (note b, c)	The PRC	US\$5,400,000	Property investment in the PRC	100	100
北京美聯房地產經紀有限公司 (note b, c)	The PRC	US\$3,400,000	Property agency in the PRC	100	100
Hong Kong Property (Comm.) Limited (note b)	Hong Kong	1 share	Property agency in Hong Kong	70.78	70.80
Hong Kong Property (I&O) Limited (note b)	Hong Kong	1 share	Property agency in Hong Kong	70.78	70.80
Midland Realty (Global) Limited (note b)	Hong Kong	1 share	Promotion of overseas properties in Hong Kong	100	100
Midland IC&I Treasury Services Limited (note b)	Hong Kong	1 share	Provision of treasury services to the group companies in Hong Kong	70.78	70.80
Leader Concord Limited (note b)	Hong Kong	2 shares	Provision of management services in Hong Kong	70.78	70.80
Midland Realty (Comm. & Ind. II) Limited (note b)	Hong Kong	1 share	Property agency in Hong Kong	70.78	N/A
Midland Realty (Comm. & Ind. III) Limited (note b)	Hong Kong	1 share	Property agency in Hong Kong	70.78	N/A
Midland Realty (Shops II) Limited (note b)	Hong Kong	1 share	Property agency in Hong Kong	70.78	N/A

Notes:

- (a) This subsidiary is directly held by the Company.
 (b) This subsidiary is indirectly held by the Company.
 (c) Registered as wholly foreign owned enterprise under the PRC law.

(b) Principal joint ventures

Company name	Place of incorporation	Principal activities and places of operation	Percentage of interest in ownership/ voting power/profit sharing	
			2015	2014
mReferral Corporation Limited	British Virgin Islands	Investment holding in Hong Kong	50%/50%/50%	50%/50%/50%
Vision Year Investments Limited	British Virgin Islands	Investment holding in Hong Kong	10%/50%/10%	10%/50%/10%

List of Investment Properties

Location	Lot number	Existing use	Lease term	Group's interest
Portion B of Shop No. 110 on the Car Park Level 1 of Podium C of Riviera Gardens, 2-12 Yi Hong Street & 7-9 Yi Lok Street, Tsuen Wan, New Territories, Hong Kong	TWTL303	Commercial	Medium	100%
Shop No. 1 on 1st Floor, the Mall of Commercial Development, Locwood Court, Kingswood Villas, 1 Tin Wu Road, Tin Shui Wai, Yuen Long, New Territories, Hong Kong	TSWTL1	Commercial	Medium	100%
Unit A1 on Ground Floor of the Commercial Accommodation, Well On Garden, 9 Yuk Nga Lane, Tseung Kwan O, Sai Kung, New Territories, Hong Kong	TKOTL18	Commercial	Medium	100%
Shop No. 6 on Lower Ground Floor, Franki Centre (formerly known as Kowloon Tong Centre), 320 Junction Road, Kowloon Tong, Kowloon, Hong Kong	NKIL5746	Commercial	Medium	100%
Unit 4 on Level (Site 1) 36 (excluding Market Entrance at L36) of Commercial Development, Sceneway Garden, 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	NKIL6046	Commercial	Medium	100%
Shops 1 and 2 on Ground Floor, Wai Wah Court, 12R Smithfield, Kennedy Town, Hong Kong	IL4097	Commercial	Long	100%
Car park P19 2/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	NKIL2828	Commercial	Medium	100%
Shop No. 80, Harmony Garden, No.9 Siu Sai Wan Road, Hong Kong	CWIL154	Commercial	Medium	100%
Units 1202, 1203 and 1204 on Level 12 of Tower 1, Henderson Centre, 18 Jianguomennei Avenue, Dongcheng District, Beijing, the People's Republic of China	N/A (note)	Commercial	Medium	100%
Shop No. 1D 128 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (note)	Commercial	Long	100%
Shop No. 1D 188 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (note)	Commercial	Long	100%

Note: Property located in the People's Republic of China without lot number.

Five-Year Financial Summary

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (Restated)
For the year					
Revenues	<u>3,906,524</u>	<u>4,118,267</u>	<u>3,343,972</u>	<u>3,910,670</u>	<u>3,397,723</u>
(Loss)/profit before taxation	<u>(90,589)</u>	<u>114,315</u>	<u>(199,962)</u>	<u>357,501</u>	<u>212,057</u>
(Loss)/profit attributable to equity holders of the Company	<u>(99,486)</u>	<u>63,975</u>	<u>(204,037)</u>	<u>249,826</u>	<u>133,900</u>
Cashflows					
Net cash (outflow)/inflow from operating activities	<u>(37,856)</u>	<u>341,135</u>	<u>(167,574)</u>	<u>234,184</u>	<u>105,951</u>
At year end					
Total assets	3,108,820	4,096,420	3,273,206	3,488,835	2,776,673
Total liabilities	1,578,813	2,489,880	1,745,658	1,694,566	1,133,669
Non-controlling interests	201,635	200,431	189,648	183,717	135,826
Total equity	<u>1,530,007</u>	<u>1,606,540</u>	<u>1,527,548</u>	<u>1,794,269</u>	<u>1,643,004</u>
Cash and bank balances	<u>1,303,066</u>	<u>1,764,485</u>	<u>1,434,300</u>	<u>1,289,966</u>	<u>1,249,009</u>
Per share data					
(Loss)/earnings per share – basic (HK cents)	<u>(13.86)</u>	<u>8.91</u>	<u>(28.42)</u>	<u>34.89</u>	<u>18.54</u>
Dividend per share (HK cents)					
Interim	–	–	–	14.34	22.33
Final	–	–	–	10.00	–
Special	–	–	–	–	8.34
Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>24.34</u>	<u>30.67</u>

Note: The figures for 2011 are restated for the adoption of amendment to HKAS12 (Amendment) – Deferred Tax: Recovery of Underlying Assets.

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