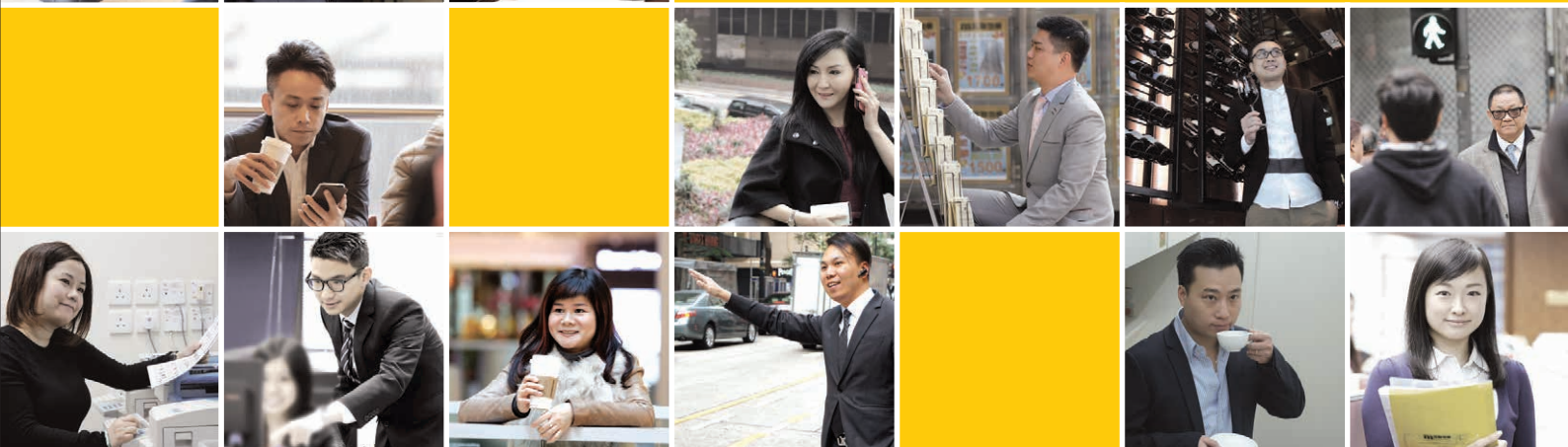




美勵動力
共創新天
Power up for future



美聯集團
MIDLAND HOLDINGS
Midland Holdings Limited
Incorporated in Bermuda with limited liability
(Stock Code 股份代號: 1200)

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Corporate Information

DIRECTORS

Non-executive Director

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

Executive Directors

Ms. TANG Mei Lai, Metty
 Ms. WONG Ching Yi, Angela
 (*Deputy Chairman and Deputy
 Managing Director*)
 Mr. WONG Tsz Wa, Pierre
 (*Managing Director*)
 Ms. IP Kit Yee, Kitty
 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 (*Note 1*)

Non-executive Director

Mr. KAN Chung Nin, Tony (*Note 2*)

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis
 (*Committee Chairman*)
 Mr. SUN Tak Chiu
 Mr. CHAN Nim Leung, Leon
 Mr. WONG San (*Note 1*)
 Mr. KAN Chung Nin, Tony (*Note 2*)

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 (*Note 1*)
 Mr. KAN Chung Nin, Tony (*Note 2*)

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 (*Note 1*)
 Mr. KAN Chung Nin, Tony (*Note 2*)

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela
 Ms. IP Kit Yee, Kitty

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
 Bank of Communications Co., Ltd.
 Hong Kong Branch
 Chong Hing Bank Limited
 DBS Bank (Hong Kong) Limited
 Fubon Bank (Hong Kong) Limited
 The Hongkong and Shanghai
 Banking Corporation Limited
 Wing Hang Bank, Limited

HONG KONG LEGAL ADVISER

Iu, Lai & Li
 Rooms 2201, 2201A & 2202
 22nd Floor, Tower 1
 Admiralty Centre
 No. 18 Harcourt Road
 Hong Kong

BERMUDA LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services
 (Bermuda) Limited (formerly
 Butterfield Fulcrum Group
 (Bermuda) Limited)
 26 Burnaby Street
 Hamilton HM 11
 Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
 26th Floor, Tesbury Centre
 28 Queen's Road East
 Hong Kong

(new address with effect from
 31 March 2014:
 Level 22, Hopewell Centre
 183 Queen's Road East
 Hong Kong)

WEBSITE

www.midland.com.hk

STOCK CODE

1200

Notes:

- The appointment of Mr. WONG San as the Independent Non-executive Director and member of the Audit Committee, Remuneration Committee and Nomination Committee was with effect from 24 September 2013.
- The appointment of Mr. KAN Chung Nin, Tony as the Non-executive Director and member of the Audit Committee, Remuneration Committee and Nomination Committee was with effect from 15 March 2014.

Organisation Chart



REAL ESTATE AGENCY



FINANCIAL SERVICES



IMMIGRATION CONSULTANCY



PROPERTY VALUATION



TRAINING SERVICES



MORTGAGE BROKERAGE



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 properties agency services



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 2013” – An epic event with local players

With a theme set on “Making dreams a reality,” this grand occasion was literally a convergence of celebrities of the realty business in the city. For the first time in history, major local developers were invited to join us in this epic event which culminated in the “40th Award Presentation of Real Estate Agents”. The Group’s top management were there toasting and presenting a number of major awards of the year with developers, recognising outstanding staff. This event fully manifested the fruitful cooperation amongst all parties.

“Management Strategic Meeting” contributed a broader plot

Led by the Chairman, the top management gathered in a clubhouse to proactively brainstorm innovation ideas and feasible approaches for the Group’s future development, direction and strategies.



Sports Day for Solidarity

Over 1,000 athletes within the Group gathered at Southern Stadium, Wanchai to support the Group’s sports event. It also became the talking point for the industry. Exciting basketball, badminton and other games were supported by coworkers from different districts. With our Chairman’s presence, our morale and spirit were lifted up to a next level.



“Midland Club”, the first membership scheme across the industry

“Midland Club” was the first membership scheme of the industry, which combined the concepts of Corporate Social Responsibility and Customer Relations Management. With a goal to create valuable family life, the club aimed at striking a balance amongst individuality, family, corporate and community.



Major Events and Awards for the Year

All Staff Meeting and Monthly Meeting to lift staff up

Monthly meetings were held to review performance and to endorse outstanding frontline staff. The management were there to pass on the tips on management and analyse the property market. All were effectively lifting up the staff's morale.



Elite Club continued to deliver good performance

Last year the property market faced multiple challenges and suffered from the government's 'demand-side cooling' measures. Despite the adversity, the "Elite Club" members managed to deliver an outstanding performance and the morale was fully lifted up, setting up a good example for all. In 'Elite Club,' the members are the cream of cream of the crop featuring by creating constructive interaction and strong positivity, ultimately bringing a brilliant result by it's team cooperation.



Summit summoned against demand-side cooling measures

The 'Demand-side cooling' measures seriously distorted the property ecology in the city. A summit on property market policies was organised to discuss the impacts those measures had on the people's life in terms of property market, livelihood and economy. The summit received overwhelming response, which attracted hundreds of people who were concerned about the property market.



First agency to Qianhai for a study trip

Shouldering the mission of being part of China's development, we are the pioneer exploring the opportunity in Qianhai. By invitation of The Hong Kong Island Federation of Professions, we became the first agency in Hong Kong to organise exchange programs on Qianhai's economic development. Through which, we had meetings with the local bureau to know more about the development in China, and to grasp the new opportunity for our presence in Qianhai.



Parade in opposing demand-side cooling measures

The Group's management and a considerable number of staff joined the parade organised by property associations, home buyers federations and those people seriously affected by demand-side cooling measures. They walked all the way from Victoria Park to the government headquarters to express their wish to revoke the demand-side cooling measures.



Speech leader proudly leading the peers

What our top management says matters. That's why our management are always a popular target for major media in town. Through in-depth interviews, analyses and feature articles, Midland's insights and professional know-how on the property market is fully disclosed. We promptly hold press conference on the latest market development and government policies to express our opinions and foretell the related impacts, as well as to provide the latest analysis on the property market. Our viewpoints and insights have always been covered by major electronic and print media. Our role as opinion leader in the industry stands out on its own.



Major Events and Awards for the Year

“Survey on Top 10 News on Property Market” to lead the industry

The demand-side cooling measures were a serious blow to property market. At the end of last year, “Survey on Top 10 News on Property Market” was organised to let the people vote for the most important market news. We also held press meeting on the review and overview of property market, providing the current situation under such policies and other comprehensive information. Extensive survey was also conducted to understand the home-buying intention of the general public.



HK-China elites won Distinguished Salesperson Award

The Group takes the idea of “pooling talents, nurturing talents” to its heart. Over the years, we have fostered a pool of talents for the industry, and their professionalism and performance have been widely accepted and recognised. Again, we nominated outstanding staff for the “45th Distinguished Salesperson Award” by HKMA. A number of our elites from Hong Kong and China were awarded the laurel. It demonstrated that our efforts in promoting professionalism across the industry were proved to be successful.



Performance endorsed by developers

With the brilliant performance of our sales team, we constantly work with developers. Through the vibrant first-hand property market, the team is performing better and better. Our sales efforts have been demonstrated in various new projects, and are highly appreciated by developers.



Midland's 40th anniversary book

As the Group celebrates the 40th anniversary, special book has been produced. This well-printed publication contained a number of beautiful and touching stories of a number of frontline and back-office staff at Midland, sharing how Midland helped them to pursue their dreams. It is a hit within the Group.



TV program on property market information

In an attempt to build up an image of ‘Super Agent,’ make our elite agents well-known to the public and venture into the market, “Buy and Sell Made Easy” (《上車落車至幫你》), a television program on property market information was aired at the prime time through TVB channel. With a special casting of our frontline directors, the program aimed at giving home-buying secrets and enhancing the brand impacts.



The “Post-Policy Address New Trend of Property Market” Forum

The Group organised the “Post-Policy Address New Trend of Property Market” Forum after the government had addressed the Policy Address, which promptly responded to the short and mid-term and long-term measures on land supply as stated by the government, cleared the concerns from the public over the new policy, and also analysed the impact of Policy Address and foretold future development of property market from different perspectives.



Major Events and Awards for the Year

The only third-time winner of “China Securities Gold Bauhinia Award”

For over 40 years’ strong presence in property agency industry, our achievements are well recognised. For three years in a row, we are the only industry player winning the “China Securities Gold Bauhinia Award.” Once again, we were awarded the title of “The Best Listed SME in 2013.” All of them have demonstrated our unparalleled position in the industry.



Taking pride to winning “Service Award 2013”

Adhering to our five-faceted principle of “prompt, precise, sincere, caring and professional” services to customers, our professionalism is well known in the industry. Even more, we were awarded the “Services Awards 2013” by “Capital Weekly,” endorsing the high service quality Midland has to offer.



The only winner of the industry of “CSR Award”

Emphasising the objective of “people-oriented,” not only do we endeavor to make every home-buyer’s wish come true, we also strive to carry out our social responsibility. We were honored to be presented the “CSR Award 2013” by “Capital” and “Capital Weekly.” We have become the only awarded company in the industry with contribution that is a walking example.



Second-time winner of “Elite Brand Award”

As a result of our strong brand capability and high awareness, we were given the title of “Elite Brand Awards” by The Sun. We are the only property agency earned such title, signifying our extraordinary achievement.



An emphasis on talents training and development

With an emphasis on talents training and development, two annual flagship programs, “Elite Army (飛虎計劃)” and “Management Associate Programme (管理優才拔尖計劃),” were tailor-made for the existing staff and university graduates, respectively. Through carefully designed professional trainings, the focus was on identifying potential elites and management members. Under our newly introduced “Celebrity Visiting Professor” (星級客席教授) Scheme, the first group of Celebrity Visiting Professors and Associate Professors were elected by nearly 80 management members and elites, fully demonstrating our corporate philosophy of “people oriented, talents focused.”



Winning the title of “Hong Kong Classic Brand” Award

With our distinguished brand awareness with well-recognition in the market, the Group has been winning different titles and awards across the city. In particular, “The Hong Kong Classic Brand Awards 2013” conferred by Eastweek made us the one and only one property agency receiving such honor.



Chairman's Statement



Power up for future

Business Review

The downturn in the Hong Kong property market, increased competition in the sector and upward pressure on cost posed major challenges for Midland Holdings Limited (the "Company") and its subsidiaries (the "Group") in 2013. For the year ended 31 December 2013, the Group recorded a loss attributable to equity holders of HK\$204,037,000, with turnover amounting to HK\$3,343,972,000, down 14% as compared to the previous year.

During 2013, the agency industry faced the toughest business environment in decades, with property market activity falling to a 23-year record low and the agency business experiencing a high degree of competition. With various demand-side cooling measures in place, the market activities of "upgraders", long-term investors, foreign buyers and speculators have all been substantially affected. Following the enactment of various stamp duty regulations, the number of property sales registrations fell 38% to 70,503 for the year. The performance of the primary residential sector was less impacted as some developers were willing to offer incentive and rebate schemes to buyers. For the year, sales registrations for primary residential units dropped 23%, while those for secondary residential units fell by 40%. Moreover, sales registrations in the non-residential property sector declined 42% due to the government cooling measures.

Property prices, however, remained resilient in spite of the cooling measures. According to the Group's estimates, residential property prices in Hong Kong rose by 2.7% in 2013. Indeed, the Group is of the view that some of the measures implemented to cool the property market and curb price increases have largely been unsuccessful. Hence, in July 2013, we joined together with other property agencies in Hong Kong to publicise our view against the tightening measures and have also played an active role in lobbying legislators. However, so far there has been no progress in amending the legislation.

Undoubtedly, the low level of sales transactions has placed pressure on the industry, and this has resulted in some consolidation of agencies in the sector. However, the pace of this industry consolidation has been unexpectedly slow. The slow pace of consolidation has exacerbated the fiercely competitive environment in the agency sector. Amidst this backdrop, the Group focused considerable efforts on controlling operating cost. Through measures such as reducing the size of our branch network in Hong Kong and scaling back our local staff, we were able to achieve some savings. As the Chairman of the Company, I also took the initiative to reduce the size of my remuneration package in late August 2013. However, operating cost still increased in 2013 because of fierce competition, upward pressure on cost and our expansion in mainland China. For instance, rental expenditure significantly increased by 29% during the reporting period.

Chairman's Statement

In the meantime, management strived hard to raise the productivity of our frontline operations. In the second half of the year, a special performance-based bonus scheme was introduced to incentivise our senior sales staff to achieve better market share for the launches of primary residential projects. Consequently, Midland Realty International Limited became the best-selling agency for the sales of various prestigious primary residential projects such as The Rise, The Visionary and the Century Gateway.

We also implemented programs to boost staff morale, such as our new reward program, Midland Miles, which aims to provide incentives and recognition to hardworking and outperforming employees. Other motivational programs, such as the 2013 Property Agent Award Ceremony, were also held to honor top performers within the Group.

In Mainland China, Shenzhen continued to be our stronghold. During the reporting period, the scale of our Mainland operations (including Macau) expanded in terms of the number of staff and branches.

Outlook

The Group maintains its cautious view on the outlook of the property market. It is unlikely that there will be any relaxation of cooling measures in the coming year. Although the pace of industry consolidation may speed up in the final quarter of 2013 or during 2014, we expect the competition in the sector to remain intense. Despite the challenging environment, the Board is confident that the management team, together with the newly promoted senior sales management executives, can add value for our shareholders through improving the Group's operational efficiency and strengthening its market position.

Policies are not likely to change

Housing policies have become the most dominant factor affecting the Hong Kong property market for quite some time and will continue to remain so in the near future. Indeed, a growing number of investors are shifting their focus to the overseas property market. Undeniably, because of the recent increase in new project launches property prices are softening and may continue to decline. In January and February of 2014, home prices fell by 1.2%. Asset values are expected to fall.

On the global front, the US and EU economies are both gradually improving. Despite the US government's tapering policies, the pace of tapering is likely to be modest. Moreover, the low interest rate environment is likely to continue in 2014 despite the change in the rate hikes guidance. Meanwhile, China achieved an outstanding real GDP growth of 7.7% last year, which was relatively high compared to other leading economies. The Group is confident that the reform measures instituted by the Central Government will result in healthy and sustainable growth for China.

In Hong Kong, the current low interest rate promotes investment activities, while the low unemployment rate reflects a healthy economy. As investment channels in Hong Kong are limited, the underlying demand for property is expected to remain strong. However, potential buyers are standing on the sidelines because their housing demand is suppressed by the administrative measures. Moreover, most property owners are not willing to sell as trading up flats may result in an extra tax burden on them. Although property prices may drop in 2014, secondary property sales activity is likely to shrink further.

The primary market, however, is expected to outperform the secondary market in 2014. Since the underlying housing supply is set to rise, developers will be launching new projects. Thus, primary units are expected to be priced at a reasonable level to promote turnover. As a matter of fact, developers are able to mitigate the impact of the government measures by offering cash rebates and incentive schemes. This can be evidenced by the strong market response to some new projects launched in the final quarter of 2013.

Primary market focused

As mentioned beforehand, the secondary market is expected to be relatively inactive in 2014. In response, the Group will continue to focus on the primary residential sector. Unlike small agencies, we have access to the sales of primary properties and have developed a solid presence in this sector. With the softening property prices and the tough business environment, we expect closures of agencies that are not competitive or fiscally strong.

Chairman's Statement

Strengthening the sales management team

Our employees have always been the Group's most valuable asset. They are the culture, passion and drive of the Group. To maintain our competitiveness in the market and foster a culture of proactiveness, the Group reorganised the residential division and promoted four veteran sales management executives, who are all experienced, dedicated and highly respected within the industry, to strengthen our sales management team. With an average tenure within the Group of more than twenty years, these executives are mature and hardworking, and have a successful track record of producing results despite the tough business environment. In their senior sales management positions, these executives have helped the Group to secure meaningful market share in recent new launches.

Cost containment

Costs have come under immense pressure under the current competitive business environment. We have a clear goal in containing cost, which is to strike a balance between competitiveness and profitability.

The primary market-focused strategy allows us to be less dependent on our branch network. Meantime, the Group has to take industry dynamics into the consideration, which include the slow pace of branch contraction by competitors. Depending on the pace of consolidation within the industry, the size of our network will continue to be scaled down, along with the corresponding cost. In addition, the Group successfully renewed twenty leases in Hong Kong with negotiated rental reductions. As the property market enters the correction stage, we will carry out a comprehensive cost cutting plan during 2014.

Having said that, the Group is well aware that any future cost-cutting measures will be constrained by the moves of our competitors and the persistent pressure on cost in the industry. Thus, cost control is more difficult than before. Taking these factors into consideration, the Group has outlined a three-year plan to navigate through and effectively deal with the market challenges and to strengthen our market position. The key initiatives of this plan include:

1. Reorganising our talent pool
2. Enhancing productivity
3. Streamlining the workflow
4. Reviewing our commission scheme
5. Reviewing our branch network
6. Boosting employee morale

Appreciation

As the Chairman of the Company, I would like to take this opportunity to thank our colleagues for their diligence, dedication and loyalty in this extremely tough business environment. I also want to thank our Board of Directors and our shareholders for their continued support.

WONG Kin Yip, Freddie

Chairman

Hong Kong, 28 March 2014

Profile of Directors

Non-Executive Director (Chairman)

Mr. WONG Kin Yip, Freddie

aged 64, is the Founder, Chairman and Non-executive Director of the Company. He is also a member of the Remuneration Committee and the Nomination Committee, 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 formulating the overall corporate directions and corporate strategies of the Group, and leading the Group's management team.

Mr. WONG has over 40 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 the director of Sunluck Services Limited and Southern Field Trading Limited which have interests in the shares in the Company. 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, Deputy Managing Director and Executive Director of the Company.

Executive Directors

Ms. TANG Mei Lai, Metty

aged 58, has been the Executive Director of the Company since December 2005. She acted as 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. She is the director of various members of the Group. Ms. TANG is currently the director, president and honorary member of Midland Charitable Foundation Limited and participates in charitable activities from time to time.

Ms. TANG has also been the chairman, managing director and executive director of Midland IC&I Limited, the Company's listed subsidiary, since 2008.

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, Deputy Managing Director and Executive Director of the Company.

Profile of Directors

Ms. WONG Ching Yi, Angela

aged 33, has been the Executive Director of the Company since March 2008 and has been the Deputy Chairman of the Company since March 2011 and Deputy Managing Director since August 2011. She is a member of the Remuneration Committee, the Nomination Committee and the Chairman's Office.

Ms. WONG plays a leading role in the Chairman's Office and is responsible for formulating, overseeing and implementing the Group's overall corporate strategies, enhancing the efficiencies and effectiveness of the Group as well as corporate development of the Group. She is also responsible for overseeing various functions of the Group, such as investor relations, finance and accounting, marketing, company secretarial, information technology, and overall sales and management.

Ms. WONG is the director of various members of the Group, including 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 Limited, the Company's listed subsidiary, since December 2011 and was the executive director of Midland IC&I Limited 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 is also a member of the Practice and Examination Committee of the Estate Agents Authority and 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 50, has been appointed as the Managing Director and Executive Director of the Company since November 2012. He joined the Group in 1993 and has been a member of the Chairman’s Office of the Company since December 2011. He was appointed as the Group Sales Management Director of the Group in January 2012 and since then, he has assisted the Chairman of the Company to implement corporate strategies and directions for 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 25 years of experience in property agency business in Hong Kong.

Mr. Pierre WONG is responsible for formulation and implementation of business strategies of the Group’s estate agency business.

Mr. Pierre WONG was the executive director of Midland IC&I Limited, the Company’s listed subsidiary, from June 2007 to November 2012. He was the chief executive officer and deputy chairman of Midland IC&I Limited for the period from June 2007 to December 2011 and from December 2011 to November 2012 respectively. Mr. Pierre WONG resigned as the deputy chairman and executive director of Midland IC&I Limited in November 2012.

Ms. IP Kit Yee, Kitty

aged 54, has been the Executive Director of the Company since October 2008. She is a member of the Chairman’s Office.

Ms. IP has been serving the Group since 1983 and is the director of various members of the Group. Ms. IP is responsible for overall corporate affairs, management and administration function of the Group. In addition, she is in charge of all aspects of training of the Group and established Midland University which is a renowned training center in the field of real estate agency. She also participates in formulating plans and policies to improve effectiveness in operation and control of the Group. Ms. IP has extensive experience in property administration, real estate agency and human resources administration and management.

Ms. IP was the Executive Director of the Company from June 1995 to September 2004 and was the executive director of Midland IC&I Limited, the Company’s listed subsidiary, from April 2007 to October 2008. Ms. IP is also a director of mReferral Corporation Limited, a joint venture company of the Group with a leading developer.

Mr. CHEUNG Kam Shing

aged 50, 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 the strategic development of the Group’s immigration consultancy business in Hong Kong, China and Macau. He has over 28 years of solid experience in the real estate agency business. Mr. CHEUNG has served the Group for 22 years and was the Executive Director of the Company from June 1998 to November 2005. He is the director of various members of the Group.

Profile of Directors

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis

aged 57, 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 of Hong Kong Limited (the "Stock Exchange"), namely Good Friend International Holdings Inc., Li Ning Company Limited, Xingda International Holdings Limited and Richfield Group Holdings Limited.

Mr. KOO was the independent non-executive director of Weichai Power Co., Ltd. from October 2003 to June 2012, a company listed on the Main Board of the Stock Exchange.

Mr. SUN Tak Chiu

aged 50, 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 27 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 Chartered Association of Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities and Investment Institute.

Profile of Directors**Mr. CHAN Nim Leung, Leon**

aged 58, 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 33 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 and he is the independent non-executive director of a listed company in Hong Kong, PanAsialum Holdings Company Limited. He also serves as the chairman of the supervisory board of the Macau Chinese Bank, S.A., a licensed bank in Macau.

Mr. WONG San

aged 57, 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 30 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 has 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.

Profile of Directors

Non-Executive Director

Mr. KAN Chung Nin, Tony

aged 63, 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 Senior Partner 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 independent non-executive director of Man Wah Holdings Limited since May 2013, a company listed in Hong Kong. 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.

Corporate Governance Report

The board of directors (the “Board”) of Midland Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) 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 and Corporate Governance Report (the “Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 December 2013.

In order to demonstrate the Company’s continued commitment to high standards of corporate governance, the Board adopted a board diversity policy in August 2013 to comply with the new code provision on board diversity set out in the Code which came into effect from September 2013.

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 (the “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 five Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. The composition of the Board is set out as follows:

Non-executive Director

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

Executive Directors

Ms. TANG Mei Lai, Metty

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

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

Ms. IP Kit Yee, Kitty

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 (*Appointed on 24 September 2013*)

Non-executive Director

Mr. KAN Chung Nin, Tony (*Appointed on 15 March 2014*)

Save and except Mr. WONG Kin Yip, Freddie ("Mr. WONG") is the spouse of Ms. TANG Mei Lai, Metty and is the father of Ms. WONG Ching Yi, Angela, 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 12 to 17 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. Mr. WONG oversees the overall corporate directions and corporate strategies of the Group and guides the management team.

Mr. Pierre WONG is the Managing Director and Ms. WONG Ching Yi, Angela is the Deputy Managing Director of the Company. The Managing Director of the Company carries out the function of chief executive officer of the Company and is responsible for formulating the corporate and business strategies and development, and the implementation of strategies and policies to achieve the overall objectives of the Group. The Managing Director shall 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 2013, the Board held five 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 all 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 25 of this Annual Report.

(v) Non-executive Directors

The term of Mr. WONG and Mr. KAN Chung Nin, Tony, both the Non-executive Directors, has been appointed for a specific term of two years 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 and a half years, 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 2013 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 the topic of model code for securities transactions by directors of listed issuers with training materials provided. A summary of the record of training received by the Directors during the year 2013 is as follows:

Directors	Training on corporate governance, regulatory development and other suitable topics
Non-executive Director	
Mr. WONG Kin Yip, Freddie	✓
Executive Directors	
Ms. TANG Mei Lai, Metty	✓
Ms. WONG Ching Yi, Angela	✓
Mr. WONG Tsz Wa, Pierre	✓
Ms. IP Kit Yee, Kitty	✓
Mr. CHEUNG Kam Shing	✓
Mr. CHAN Kwan Hing (<i>Resigned on 24 August 2013</i>)	✓
Independent Non-executive Directors	
Mr. KOO Fook Sun, Louis	✓
Mr. SUN Tak Chiu	✓
Mr. CHAN Nim Leung, Leon	✓
Mr. WONG San (<i>Appointed on 24 September 2013</i>)	✓
Mr. WANG Ching Miao, Wilson (<i>Resigned on 24 September 2013</i>)	✓

Note: As Mr. KAN Chung Nin, Tony was appointed as the Non-executive Director with effect from 15 March 2014, his training information is not included herein.

Board Committees

The Board has established four Board committees, including the Executive Committee, Audit Committee, Remuneration Committee and Nomination 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 with four other members namely, Mr. SUN Tak Chiu, Mr. CHAN Nim Leung, Leon, Mr. WONG San (appointed on 24 September 2013) and Mr. KAN Chung Nin, Tony (appointed on 15 March 2014), majority of whom being the 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 2013, the Audit Committee held two meetings to discuss and review, inter alia, 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 selection, appointment, resignation or dismissal of the external auditors 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 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 control, internal control and risk management 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.

As at 31 December 2013, the 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 are in place.

(iii) Remuneration Committee

The Remuneration Committee was established on 10 March 2005 with written terms of reference posted 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 Ching Yi, Angela, Mr. KOO Fook Sun, Louis, Mr. CHAN Nim Leung, Leon, Mr. WONG San (appointed on 24 September 2013) and Mr. KAN Chung Nin, Tony (appointed on 15 March 2014), majority of whom being the Independent Non-executive Directors.

The Remuneration Committee held three meetings during the year to review and determine the remuneration package of the relevant Executive Directors and review the Group's 2013 overall remuneration and recommend the remuneration of the relevant Non-executive Directors to the Board for approval. The principal role and responsibilities of the Remuneration Committee mainly include reviewing and determining the remuneration policy and packages of the 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 2013 is set out below:

Remuneration bands	Number of person(s)
HK\$0 – HK\$2,000,000	0
HK\$2,000,001 – HK\$4,000,000	4
HK\$4,000,001 – HK\$6,000,000	1
HK\$6,000,001 – HK\$8,000,000	1
HK\$8,000,001 – HK\$10,000,000	0
HK\$10,000,001 – HK\$12,000,000	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 83 to 85 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 Ching Yi, Angela, Mr. SUN Tak Chiu, Mr. CHAN Nim Leung, Leon, Mr. WONG San (appointed on 24 September 2013) and Mr. KAN Chung Nin, Tony (appointed on 15 March 2014), majority of whom being the Independent Non-executive Directors.

During the year, the Nomination Committee held three meetings to nominate candidates for directorship according to their skills, knowledge and experience etc, assess the independence of the Independent Non-executive Directors, review and make recommendation to the Board on the Board composition, and to review the retirement and rotation plan of the Directors.

During the year, Mr. WONG San was appointed to fill the casual vacancy occasioned by the resignation of Mr. WANG Ching Miao, Wilson as an Independent Non-executive Director. In considering his appointment, the Nomination Committee assessed the candidate and incumbent on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duties and responsibilities effectively, independence under the requirement of the Listing Rules, etc. and made recommendation to the Board for approval.

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. In achieving a truly diverse Board, candidates with different talents, skills, knowledge, regional, industry and professional experience, cultural and educational background, race, age, gender and other qualities will be selected as 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.

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 2013 are set out as follows:

Directors	Board	No. of Meetings Attended/Held			Annual General
		Audit Committee	Remuneration Committee	Nomination Committee	
Non-executive Director					
Mr. WONG Kin Yip, Freddie (<i>Chairman</i>)	5/5	N/A	3/3	3/3	1/1
Executive Directors					
Ms. TANG Mei Lai, Metty	5/5	N/A	N/A	N/A	1/1
Ms. WONG Ching Yi, Angela (<i>Note 1</i>) (<i>Deputy Chairman and Deputy Managing Director</i>)	5/5	N/A	2/2	2/2	1/1
Mr. WONG Tsz Wa, Pierre (<i>Managing Director</i>)	5/5	N/A	N/A	N/A	1/1
Ms. IP Kit Yee, Kitty (<i>Note 2</i>)	5/5	N/A	1/1	1/1	1/1
Mr. CHEUNG Kam Shing	5/5	N/A	N/A	N/A	1/1
Mr. CHAN Kwan Hing (<i>Resigned on 24 August 2013</i>)	2/3	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. KOO Fook Sun, Louis	4/5	2/2	3/3	3/3	1/1
Mr. SUN Tak Chiu	5/5	2/2	3/3	3/3	1/1
Mr. CHAN Nim Leung, Leon	5/5	2/2	3/3	3/3	1/1
Mr. WONG San (<i>Appointed on 24 September 2013</i>)	1/1	N/A	N/A	N/A	N/A
Mr. WANG Ching Miao, Wilson (<i>Resigned on 24 September 2013</i>)	3/4	2/2	2/3	2/3	1/1

Notes:

- Ms. WONG Ching Yi, Angela was appointed as a member of the Nomination Committee and Remuneration Committee with effect from 16 March 2013.
- Ms. IP Kit Yee, Kitty ceased to be a member of the Nomination Committee and Remuneration Committee with effect from 16 March 2013.
- As Mr. KAN Chung Nin, Tony was appointed as the Non-executive Director with effect from 15 March 2014, his attendance information is not included herein.

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 2013.

Directors' Interests

Details of Directors' interests in shares, underlying shares and debentures of the Company and the associated corporation are set out in the Report of Directors on pages 42 to 43 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 and of the results and cash flows for the year ended 31 December 2013. In preparing the financial statements for the year ended 31 December 2013, 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 2013 financial statements of the Group is set out in the "Independent Auditor's Report" on page 53 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 constant review of 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 mentioned before.

Auditor's Remuneration

During the year ended 31 December 2013, 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	
	2013 HK\$'000	2012 HK\$'000
Services rendered for the Group		
Audit Services	3,055	3,764
Interim Results Review	923	916
Non-audit Services (include taxation and other professional services)	285	234
Total Fees	<u>4,263</u>	<u>4,914</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 2013, 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 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 related purely to procedural and 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 the shareholders. The Company welcomes the attendance of 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 Chairman 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 developments, corporate governance practices, latest memorandum of association and bye-laws of the Company and other information are regularly posted in due course.

Communication with Shareholders and Investor Relations (Continued)

The 2013 annual general meeting of the Company was held on 16 May 2013. 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 chairmen/members of the Audit Committee, Nomination Committee and Remuneration Committee as well as the representatives of PricewaterhouseCoopers attended the 2013 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 of 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 requisitioner(s), or any of them representing more than one half of the total voting rights of all of them, may themselves do so 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 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 case of a requisition requiring notice of a resolution and not less than one week before the GM in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses 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, 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 publically available. Shareholders may also send their enquiries and concerns to the Board by addressing them to the Investor Relations Department by post at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong or by e-mail at investor@midland.com.hk.

Corporate Social Responsibility Report

Charity and Volunteer Works

Grants for affected employees of earthquake in Sichuan

- The Group was concerned about the employees and their families affected by the earthquake in Ya'an, Sichuan. In addition to express our concern over them, we also granted extra paid leave for a week and relief fund for the affected employees according to their needs, so that they could return their home within the shortest time.



Financial assistance for Aoi Pui School's new campus

- Aoi Pui is a school providing trainings and learning opportunities for autism children. Since its inception, the Group had been making donations. Later, we financially assisted the relocation of the school, and that particular classroom was named as "Midland Charity Funds" by the school.

Supporting "New Territories Walk" physically and financially

- The Group sponsored the "New Territories Walk". With a strong support by our frontline and back-office staff, fundings for the Community Chest's children and teenagers services were raised, which would be utilised for the better future of our next generation through diversified development and training programmes.



Sponsoring Lifeline Express “Charity Run/Walk” the third year in a row

■ The Group had been proactively sponsoring “Charity Run/Walk” organised by Lifeline Express, a charitable organisation for the third year in a row. Led by the management, Midland’s volunteering team strongly supported the event. Through personal participation, they raised funds for the cataract patients in poor areas in China.



Supporting “New World Cycling Charity Championship”

■ In supporting “New World Cycling Charity Championship 2013”, in addition to making donation, the Group also mobilised a number of frontline staff to take part in the championship, enrolling the “Corporate Team” and “Citizen Group,” to raise funds for the beneficiary Tung Wah Group of Hospitals to help the people in need.

Being “Caring Company” for consecutively 11 years

■ The Group has been proactively contributing to the community by carrying out charitable works. It is the 11th year consecutively conferred the “Caring Company” logo by The Hong Kong Council of Social Service. It is to recognise the Group’s exercising good corporate citizen spirit, caring and mobilising employees to take part in volunteering services, and allocating resources to support the activities that can improve the community livelihood and environment.



Sponsoring “Sing • Joy • Love Diva Charity Concert”

■ The Group allocated funds to sponsor “Sing • Joy • Love Diva Charity Concert,” donating to the PHAB Children & Youth Fund under Hong Kong PHAB Association. The concert aims at transmitting love and positive messages to raise funds for the Association, in support to their rehabilitation, employment and community services for the disabled.

Corporate Social Responsibility Report

Sponsoring “World Sight Day” the forth year in a row

- To fight for more chances for the patients of eye-disease in poor areas to get cured, the Group became the Early Bird Sponsor for the Pin Campaign under the “World Sight Day” of ORBIS the forth year in a row, to help the blind to see again.



Partnering with Lok Sin Tong to visit the elderly during festivals

- The Group partnered with Lok Sin Tong to visit the elderly on the eves of several festivals, to cheer them up and to distribute festival and healthy food during festivals. The volunteers also expressed that the events were very meaningful to serve more elderly and hoped that they could do it proactively in the future.

Life Planning Program for The Youth

- The friends of DSA of the Group joined hands with the Group’s Volunteer Team to organise volunteer activities for the first time. By organising a workplace experience activities called “Life Planning Program for The Youth” with Po Leung Kuk for the current graduates of primary schools. The activity aimed at instilling the accurate attitude and skills at work from their own work and life experiences, fully exercising Midland’s corporate spirit from one generation to another.



Give warmth to Ya’an

- After the earthquake in Ya’an, the Group established “Midland China 4.20 Caring Fund”, to raise funds from the staff of Midland China. The funds raised would be utilised to purchase the relief materials that were urgently needed by the earthquake victims. We even subsequently organised in-house volunteering team to make personal delivery of the materials to various spots where the earthquake occurred, so that the victims would obtain the material as early as possible. The spirit of cooperation during difficult times was fully exercised.

Facilitating the prosperity of Hong Kong and China, leading the development of the industry

“IN-THE-BOARDROOM-WITH MR WONG KIN YIP” organised by Entrepreneurs’ Organisation of Hong Kong

- Entrepreneurs’ Organisation of Hong Kong, a famous exchange organisation formed by a group of young entrepreneurs from different sectors, regularly organised “IN-THE-BOARDROOM-WITH” series. Our Chairman, Mr. Wong Kin Yip, Freddie was invited to be a special guest to share his key to success of establishing Midland. In the past, the invited guests were significant leaders in commercial and political areas, such as Joseph Yam Chi Kwong, Allan Zeman and Thomas Kwok Ping Kwong, etc. The privilege position of our Group and our Chairman in the industry was fully demonstrated.



Supporting the charity sales of the photos under Wheelock Peak Exposure Photo Competition

- The Group contributed to the community by buying the award-winning photos from the Photo Competition organised by the Wheelock Group for charity. The proceeds will go to local charitable organisations via Sedan Chair Charities Fund.

Caritas Family Crisis Support Centre “Seminar on Home-buying by Middle-Class People”

- The Group was invited by Caritas Family Crisis Support Centre to attend its “Seminar on Home-buying by Middle-Class People”, to analyse the prospect of Hong Kong’s property market for those middle-class people who presented at the seminar, and also helped them evaluate their affordability and risk on home-buying. It shows that the Group always takes up the responsibility of educating people on property market to assist them in home-buying reasonably.



Corporate Social Responsibility Report



Forum by Willis Construction Risk, a risk management company in international construction industry

- Willis Construction Risks, an insurance brokers and risk management company in international construction industry, held a large-scale conference earlier. The Group was invited to be a guest speaker, analysing the local property market in a great detail, and discussing the reasons why the property market slow-down but appeared to have no effect on construction industry.

Training the most number of “elite property agents”

- As a pioneer in training, “Midland University” under the Group launched many professional training programmes. The tailor-made licensing classes for those who intend to enter the industry to prepare for the licensing examinations are the most popular classes in Midland University. In a licensing examination for property agents, our students have attained very good results, with 64 students obtained excellent results, representing 65% of the number of people who attained “champion” creating the brilliant record in Hong Kong. The record of fostering the most number of “elite property agents” in Hong Kong that the Group set has benefited the entire industry.



The new electronic flipping version “Market Express Quarterly” help people understand the latest trend

- In order to build up a professional information and service platform, the Group endeavor to compile “Market Express Quarterly” to analyse the trend of local property market with professional and detailed data, reviewing the market development in each quarter, to help the people understand the key information in property market. The electronic flipping version have been introduced to make the reading easier.

Report of Directors

The directors of Midland Holdings Limited (the “Company”) present their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2013.

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 38(i) to the financial statements.

An analysis of the Group’s performance for the year ended 31 December 2013 by operating segment is set out in note 7 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 54 of this Annual Report.

The directors of the Company (the “Directors”) did not declare an interim dividend for the six months ended 30 June 2013 (2012: HK\$0.1434 per ordinary share).

The board of Directors (the “Board”) does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: HK\$0.10 per ordinary share).

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

Charitable Donations

During the year, the Group made charitable donations totalling HK\$821,000 (2012: HK\$1,438,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

Investment Properties

Details of the movements in investment properties of the Group during the year are set out in note 18 to the financial statements. Details of the properties held for investment purposes are set out on page 111 of this Annual Report.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 28 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 2013, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$701,289,000 (2012: HK\$700,023,000).

Report of Directors

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 112 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 2013 and up to the date of this Annual Report are as follows:

Non-executive Director

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

Executive Directors

Ms. TANG Mei Lai, Metty

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

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

Ms. IP Kit Yee, Kitty

Mr. CHEUNG Kam Shing

Mr. CHAN Kwan Hing (*resigned on 24 August 2013*)

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. CHAN Nim Leung, Leon

Mr. WONG San (*appointed on 24 September 2013*)

Mr. WANG Ching Miao, Wilson (*resigned on 24 September 2013*)

Non-executive Director

Mr. KAN Chung Nin, Tony (*appointed on 15 March 2014*)

In accordance with bye-law 86(2) of the Company's bye-laws, Mr. WONG San and Mr. KAN Chung Nin, Tony shall retire at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, will offer themselves for re-election.

In accordance with bye-law 87 of the Company's bye-laws, Ms. TANG Mei Lai, Metty, Mr. KOO Fook Sun, Louis and Mr. SUN Tak Chiu shall retire by rotation at 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 Contracts of Significance

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

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 (the "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 share capital 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) and/or other requirements prescribed under the Listing Rules.

Report of Directors**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 a substantial shareholder or an Independent Non-executive Director 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 at general meeting with all connected persons abstaining from voting and/or other requirements prescribed under the Listing Rules.

(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.

Share Option Schemes (Continued)

Share Option Scheme of the Company (Continued)

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

Name or category of participant	Date of grant	Exercise price per share (HK\$)	Number of share options				Balance outstanding as at 31 December 2013	Exercisable period
			Balance outstanding as at 1 January 2013	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year		
Directors								
Mr. WONG Kin Yip, Freddie	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 Mei Lai, Metty	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 Ching Yi, Angela	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
Former Director								
Mr. WANG Ching Miao, Wilson (resigned on 24 September 2013)	21 July 2011	4.29	150,000	–	(150,000)	–	–	1 August 2011 to 31 July 2019
Total			<u>22,077,480</u>	<u>–</u>	<u>(150,000)</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(p)(iii) to the financial statements.

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

Report of Directors

Share Option Schemes (Continued)

Share Option Scheme of Midland IC&I

At the extraordinary general meeting of Midland IC&I Limited ("Midland IC&I"), the Company's listed subsidiary, 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 its invested entities to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Midland IC&I Group or invested entities, to recognise the contributions of the eligible persons to the growth of the Midland IC&I Group or 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 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 invested entity, to take up the options under the Midland IC&I Share Option Scheme.

(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 20,000,000, representing approximately 0.15% of the issued share capital 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 810,000,000, representing approximately 5.91% of the issued share capital 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 and/or other requirements prescribed under the Listing Rules and other applicable statutory regulations or rules must be complied with.

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, 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, the shareholders of the Company at their respective general meetings with all connected persons abstaining from voting and/or other requirements prescribed under the Listing Rules and other applicable statutory regulations or rules 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.

Report of Directors

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 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				Exercisable period	
			Balance outstanding as at 1 January 2013	Granted during the year	Cancelled/lapsed during the year	Exercised during the year		Balance outstanding as at 31 December 2013
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
Total			<u>20,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000,000</u>	

Information on the accounting policy for share options granted under the Midland IC&I Share Option Scheme is provided in note 3(p)(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 2013, 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 Securities and Futures Ordinance ("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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Director	Number of shares			Number of underlying shares			Approximate percentage of issued share capital of the Company
	Personal interests/ Beneficial owner	Corporate interests/ Interest of controlled corporation	Family interests/ Interest of spouse	Personal interests/ Beneficial owner	Family interests/ Interest of spouse	Total	
Mr. WONG Kin Yip, Freddie	24,490,000	70,780,144 (Note 1)	–	7,209,160 (Note 2)	7,209,160 (Note 3)	109,688,464	15.28%
Ms. TANG Mei Lai, Metty	–	–	95,270,144 (Note 4)	7,209,160 (Note 5)	7,209,160 (Note 6)	109,688,464	15.28%
Ms. WONG Ching Yi, Angela	–	–	–	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 are held by Sunluck Services Limited. Mr. WONG Kin Yip, Freddie ("Mr. WONG") indirectly owns 100% interests in Sunluck Services Limited through his wholly-owned company, namely Southern Field Trading Limited.
- These underlying shares are held by Mr. WONG as beneficial owner 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 Mei Lai, Metty ("Ms. TANG"), the spouse of Mr. WONG, as beneficial owner, 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 beneficial owner.
- These underlying shares are held by Ms. TANG as beneficial owner 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, as beneficial owner, by virtue of the interests in the share options of the Company granted to him.
- These underlying shares are held by Ms. WONG Ching Yi, Angela as beneficial owner by virtue of the interests in the share options of the Company granted to her.
- These underlying shares are held by Mr. KOO Fook Sun, Louis as beneficial owner by virtue of the interests in the share options of the Company granted to him.
- These underlying shares are held by Mr. SUN Tak Chiu as beneficial owner by virtue of the interests in the share options of the Company granted to him.
- Details of the share options granted to the above Directors are set out in the section headed "Share Option Schemes".

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 shares			Approximate percentage of issued share capital of Midland IC&I
		Personal interests/ Beneficial owner	Family interests/ Interest of spouse	Total	
Midland IC&I	Mr. Pierre WONG	2,000,000 <i>(Note 11)</i>	1,320,000 <i>(Note 12)</i>	3,320,000	0.02%

Notes:

11. These shares are held by Mr. Pierre WONG as beneficial owner.

12. These shares represent the shares held by Ms. LAM Mee Yuk, the spouse of Mr. Pierre WONG, as beneficial owner.

Save as disclosed above, as at 31 December 2013, 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 herein, at no time during the year was the Company or any of its subsidiaries 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.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 December 2013, the interests and short positions of the 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 shares	Holding capacity/ Nature of interests	Approximate percentage of issued share capital of the Company
Southern Field Trading Limited (<i>Note 1</i>)	70,780,144 (L)	Interest in controlled corporation/ Corporate interest	9.86%
Sunluck Services Limited (<i>Note 1</i>)	70,780,144 (L)	Beneficial owner/Beneficial interest	9.86%
Massachusetts Financial Services Company (<i>Note 2</i>)	57,822,000 (L)	Investment manager/Other interest	8.05%
Sun Life Financial, Inc. (<i>Note 2</i>)	57,822,000 (L)	Investment manager/Other interest	8.05%
Apex Benchmark Limited	52,456,000 (L)	Beneficial owner/Beneficial interest	7.31%
UBS AG (<i>Note 3</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 in controlled corporation/ Corporate interest	3.45%
	4,035,548 (S)	Beneficial owner/Beneficial interest	0.56%
	24,272,000 (S)	Interest in controlled corporation/ Corporate interest	3.38%

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

Notes:

- The two references to 70,780,144 shares relate to the same block of shares in the Company as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".
- Massachusetts Financial Services Company ("MFS") is a subsidiary of Sun Life Financial, Inc. ("SLF"). Accordingly, MFS's interest in 57,822,000 shares is duplicated in the interest of SLF.
- The interest of UBS AG includes 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 2013, no other 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.

Report of Directors

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 turnover of the Group during the year ended 31 December 2013. 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 37 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) and the Group were entered into and are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the Listing Rules.

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

1. 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 Investment Limited ("Moral Winner"), a company indirectly wholly owned by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), the Chairman and Non-executive Director and substantial shareholder, as landlord whereby the landlord agreed to lease 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 an office of the Company and its subsidiaries (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.
2. 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 lease 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.
3. 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 lease the premises located at Unit No.4 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as an 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.
4. 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 the licence was created 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 used for marketing and promotion of the 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.

Continuing Connected Transactions (Continued)

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

5. A licence agreement was made on 23 September 2013 between Crown Lucky Investment Limited, an indirect wholly-owned subsidiary of Midland IC&I Limited ("Midland IC&I"), a listed subsidiary of the Company, as licensee and Moral Winner, a company indirectly wholly owned by Mr. WONG, as licensor whereby the licence was created 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 used for marketing and promotion of the 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.
6. 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 lease 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.
7. 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 lease the premises located at Unit No.5 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as an 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.
8. 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 lease the premises located at Car Parking Spaces Nos. P18 and P19 on the Basement Floor of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong 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.
9. A tenancy agreement was made on 20 August 2013 between 港置地產代理(深圳)有限公司, an indirect wholly-owned subsidiary of the Company, as tenant and Ms. WONG Ching Yi, Angela, the Deputy Chairman, Deputy Managing Director and Executive Director, as landlord whereby the landlord agreed to lease the premises located at Part 1 of Shop 107B, Floors 1#, 2#, City of Poly, Chuang Ye Road North, Nanyou Road East, Nanshan District, Shenzhen, the People's Republic of China as a branch for the real estate agency business of the Group for a term of two years commencing from 20 August 2013 to 19 August 2015 at a monthly rental of RMB17,000 (equivalent to approximately HK\$21,368) with rent-free period from 20 August 2013 to 3 September 2013.
10. A tenancy agreement was made on 10 April 2013 between HKP Corporate Leasing (XVII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Praise World Limited, a company indirectly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to lease the premises located at Portion (New Shop 2) of Cinema II (otherwise known as Commercial Unit 6) of Tai Po Plaza, No.1 On Tai Road, Tai Po, New Territories, Hong Kong as a branch for the real estate agency business of the Group for a term of sixteen days commencing from 11 April 2013 to 26 April 2013 at a rental of HK\$64,000 for the said term without rent-free period.

Report of Directors

Continuing Connected Transactions (Continued)**(B) Continuing Connected Transaction (Disclosed by the Company's announcement dated 23 August 2013)**

11. 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.

(C) Continuing Connected Transactions (Disclosed by the Company's announcement dated 31 October 2012)

12. A licence agreement was made on 31 October 2012 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 the licence was created to install signage(s) to 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 used for marketing and promotion of the estate agency business of the Group for a term of one year commencing from 1 November 2012 to 31 October 2013 at a monthly licence fee of HK\$65,000.
13. A licence agreement was made on 31 October 2012 between Universal Genius 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 the licence was created to install signage(s) to the upper 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 used for marketing and promotion of the estate agency business of the Group for a term of one year commencing from 1 November 2012 to 31 October 2013 at a monthly licence fee of HK\$40,000.
14. A licence agreement was made on 31 October 2012 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 the licence was created to install signage(s) to 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 used for marketing and promotion of the estate agency business of the Group for a term of one year commencing from 1 November 2012 to 31 October 2013 at a monthly licence fee of HK\$68,000.
15. A tenancy agreement was made on 18 October 2012 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 lease the premises located at Office 910 on 9th Floor, Tower Two of Lippo Centre, No. 89 Queensway, Hong Kong as office for the immigration consultancy business of the Group for a term of two years commencing from 18 October 2012 to 17 October 2014 at a monthly rental of HK\$106,386 without rent-free period and option to renew.
16. A tenancy agreement was made on 15 October 2012 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 lease 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 back office of the Group for a term of two years commencing from 15 October 2012 to 14 October 2014 at a monthly rental of HK\$24,425 with rent-free period from 15 October 2012 to 21 October 2012 and without option to renew.

Continuing Connected Transactions (Continued)

(D) Continuing Connected Transactions (Disclosed by the Company's announcement dated 30 April 2012)

17. A tenancy agreement was made on 30 April 2012 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 lease the premises located at Nos. 11–16, 7th Floor, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon, Hong Kong as an office of the Group for a term of two years commencing from 1 May 2012 to 30 April 2014 at a monthly rental of HK\$144,601 without rent-free period and option to renew.
18. A tenancy agreement was made on 16 April 2012 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 lease 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 2012 to 15 April 2014 at a monthly rental of HK\$108,900 without rent-free period and option to renew.
19. A tenancy agreement was made on 1 March 2012 between Hong Kong Property Leasing (XXII) Limited, a wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease the premises located at Car Park Nos. P18 and P19, Basement Floor, South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as car parks for staff of the Group for a term of one year commencing from 1 March 2012 to 28 February 2013 at a monthly rental of HK\$2,000 without rent-free period and option to renew.

(E) Continuing Connected Transactions (Disclosed by the Company's announcement dated 31 August 2011)

20. A tenancy agreement was made on 31 August 2011 between Union Honor Limited, a wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease 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 2011 to 31 October 2013 at a monthly rental of HK\$57,000 without rent-free period.
21. A tenancy agreement was made on 31 August 2011 between Main Dynasty Limited, a wholly-owned subsidiary of the Company, as tenant and Goal Precise Limited, a company wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease the premises located at Shop F on the Lower Ground Floor 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 1 November 2011 to 31 October 2013 at a monthly rental of HK\$110,000 for the first year and HK\$115,000 for the second year without rent-free period.
22. A tenancy agreement was made on 31 August 2011 between Hong Kong Property Leasing (XXII) Limited, a wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease the premises located at Unit No.4 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as an office of the Group for a term of two years commencing from 1 November 2011 to 31 October 2013 at a monthly rental of HK\$44,800 without rent-free period.

Report of Directors

Continuing Connected Transactions (Continued)**(E) Continuing Connected Transactions (Disclosed by the Company's announcement dated 31 August 2011) (Continued)**

23. A tenancy agreement was made on 21 April 2011 between HKP Corporate Leasing (XVII) Limited, a wholly-owned subsidiary of the Company, as tenant and Praise World Limited, a company wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease the premises located at Portion (New Shop 2) of Cinema II (otherwise known as Commercial Unit 6) of Tai Po Plaza, No.1 On Tai Road, Tai Po, New Territories, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 11 April 2011 to 10 April 2013 at a monthly rental of HK\$120,000 with rent-free period from 11 April 2011 to 10 May 2011.
24. A tenancy agreement was made on 15 February 2011 between Hong Kong Property Leasing (XXII) Limited, a wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease the premises located at Unit No.5 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as an office of the Group for a term of two years commencing from 1 April 2011 to 31 March 2013 at a monthly rental of HK\$37,500 with rent-free period from 1 April 2011 to 30 April 2011.

(F) Continuing Connected Transaction (Disclosed by the Company's announcement dated 6 January 2011)

25. A tenancy agreement was made on 6 January 2011 between Midland Leasing (XXIV) Limited, a wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease 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 2011 to 9 January 2013 at a monthly rental of HK\$50,000 with rent-free period from 10 January 2011 to 9 February 2011 and option to renew for a further term of two years immediately after the expiry of the term at the prevailing market rental.

The Independent Non-executive Directors have reviewed the continuing connected transactions mentioned above pursuant to Rule 14A.37 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 Company;
- ii. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
- iii. in accordance with the relevant agreement 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 Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 45 to 49 of this Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Change in Director's Information

Change in the information of Director of the Company since the disclosure made in the 2013 interim report of the Company, that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

1. Mr. KOO Fook Sun, Louis, Independent Non-executive Director and existing member of the Nomination Committee of the Company, has been appointed as the Chairman of the Nomination Committee of the Company with effect from 24 September 2013.

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 2013 are set out in note 38 to the financial statements.

Borrowings

Particulars of borrowings of the Group as at 31 December 2013 are set out in note 31 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 Company's operating results, individual performance and comparable market statistics. 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 issued share capital of the Company as required under the Listing Rules.

Auditor

The financial statements of the Group for the year ended 31 December 2013 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, 28 March 2014

Management Discussion and Analysis

Liquidity and Financial Resources

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

As at 31 December 2013, the Group had cash and bank balances of HK\$1,434,300,000 (2012: HK\$1,289,966,000). The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.7 (2012: 1.8).

As at 31 December 2013, the interest-bearing bank and other borrowings of the Group amounted to HK\$334,011,000 (2012: HK\$10,926,000) and HK\$90,000,000 (2012: Nil) respectively, with maturity profile set out as follows:

	2013 HK\$'000	2012 HK\$'000
Repayable		
Within 1 year	414,894	893
After 1 year but within 2 years	930	910
After 2 years but within 5 years	2,895	2,838
Over 5 years	5,292	6,285
	<u>424,011</u>	<u>10,926</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.

The gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 27.76% (2012: 0.61%). Increase in the gearing ratio was mainly due to the increase in interest-bearing bank and other borrowings. Despite of the increase in gearing ratio, the current ratio of the Group is still maintained at a stable level as mentioned above.

With the implementation of the Residential Properties (First-hand Sales) Ordinance in April 2013, there is a change in the market practice for the sales arrangement for first hand residential properties which in turn increases the short term funding requirement of the Group. Therefore, new loan facilities have been secured to cope with the market changes.

As at 31 December 2013, the Group has unutilised borrowing facilities amounting to approximately HK\$95,795,000 (2012: HK\$184,221,000) from various banks and other parties. The borrowing facilities were granted to the Group on a floating rate basis. The Directors will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

As at 31 December 2013, certain land and buildings and investment property held by the Group of HK\$71,740,000 (2012: HK\$50,214,000) and HK\$1,000,000 (2012: HK\$14,430,000) were pledged to secure banking facilities granted to the Group.

The Group's cash and bank balances are deposited in Hong Kong Dollars, Renminbi and Macau Pataca 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 were primarily denominated in Renminbi. Since it is expected that there shall not be sharp depreciation of Renminbi against Hong Kong Dollars in near future, 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

Details of contingent liabilities of the Company and the Group at the end of the year are set out in note 34 to the financial statements.

Employee Information

As at 31 December 2013, the Group employed 9,492 full time employees (2012: 9,291) of which 8,214 were sales agents, 576 were back office supportive employees and 702 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 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 financial statements of Midland Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 54 to 110, which comprise the consolidated and company balance sheets as at 31 December 2013, 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 financial statements

The directors of the Company are responsible for the preparation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2014

Consolidated Income Statement

For the Year Ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Revenues	6	3,343,972	3,910,670
Other income	8	17,198	23,407
Staff costs	9	(1,876,427)	(2,141,857)
Rebate incentives		(481,580)	(431,228)
Advertising and promotion expenses		(100,508)	(110,814)
Operating lease charges in respect of office and shop premises		(615,200)	(477,108)
Impairment of receivables		(126,075)	(116,575)
Depreciation and amortisation costs		(58,057)	(48,010)
Other operating costs		(312,921)	(269,676)
Operating (loss)/profit	11	(209,598)	338,809
Finance income	12	6,187	11,937
Finance costs	12	(4,043)	(244)
Share of results of joint ventures	23	7,492	6,999
(Loss)/profit before taxation		(199,962)	357,501
Taxation	13	1,848	(59,779)
(Loss)/profit for the year		<u>(198,114)</u>	<u>297,722</u>
(Loss)/profit attributable to:			
Equity holders		(204,037)	249,826
Non-controlling interests		5,923	47,896
		<u>(198,114)</u>	<u>297,722</u>
Dividends	15	—	174,773
(Loss)/earnings per share	16	HK cents	HK cents
Basic		(28.42)	34.89
Diluted		<u>(28.42)</u>	<u>34.82</u>

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
(Loss)/profit for the year	(198,114)	297,722
Other comprehensive income		
<i>Items that are reclassified to profit or loss</i>		
Release of currency translation difference arising from deregistration of a subsidiary	–	1,408
Release of currency translation differences arising from disposal of subsidiaries	11	–
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(1,455)	1,123
Change in fair value of available-for-sale financial assets	448	1,181
	(996)	3,712
Total comprehensive (loss)/income for the year, net of tax	(199,110)	301,434
Total comprehensive (loss)/income for the year attributable to:		
Equity holders	(205,041)	253,543
Non-controlling interests	5,931	47,891
	(199,110)	301,434

Consolidated Balance Sheet

As At 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	189,606	179,070
Investment properties	18	86,049	101,812
Land use rights	19	1,407	1,411
Interests in joint ventures	23	56,431	53,589
Available-for-sale financial assets	24	15,071	18,706
Deferred taxation assets	32	35,920	21,471
		<u>384,484</u>	<u>376,059</u>
Current assets			
Trade and other receivables	25	1,450,795	1,822,655
Financial assets at fair value through profit or loss	26	–	155
Taxation recoverable		3,627	–
Cash and bank balances	27	1,434,300	1,289,966
		<u>2,888,722</u>	<u>3,112,776</u>
Total assets		<u>3,273,206</u>	<u>3,488,835</u>

Consolidated Balance Sheet

As At 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital	28	71,805	71,805
Share premium	28	223,505	223,505
Reserves	29	1,042,590	1,243,437
Proposed dividend	29	–	71,805
		<u>1,337,900</u>	<u>1,610,552</u>
Non-controlling interests		<u>189,648</u>	<u>183,717</u>
Total equity		<u>1,527,548</u>	<u>1,794,269</u>
Non-current liabilities			
Deferred taxation liabilities	32	<u>2,832</u>	<u>2,417</u>
Current liabilities			
Trade and other payables	30	1,311,153	1,658,555
Borrowings	31	424,011	10,926
Taxation payable		7,662	22,668
		<u>1,742,826</u>	<u>1,692,149</u>
Total liabilities		<u>1,745,658</u>	<u>1,694,566</u>
Total equity and liabilities		<u>3,273,206</u>	<u>3,488,835</u>
Net current assets		<u>1,145,896</u>	<u>1,420,627</u>
Total assets less current liabilities		<u>1,530,380</u>	<u>1,796,686</u>

WONG Ching Yi, Angela
Director

IP Kit Yee, Kitty
Director

Balance Sheet

As At 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Subsidiaries	21	108,501	108,501
Current assets			
Other receivables, prepayments and deposits	25	1,135	858
Amounts due from subsidiaries	22	2,608,624	2,625,401
Taxation recoverable		596	4,198
Cash and bank balances	27	591	373
		<u>2,610,946</u>	<u>2,630,830</u>
Total assets		<u>2,719,447</u>	<u>2,739,331</u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital	28	71,805	71,805
Share premium	28	223,505	223,505
Reserves	29	740,423	735,217
Proposed dividend	29	–	71,805
Total equity		<u>1,035,733</u>	<u>1,102,332</u>
Current liabilities			
Other payables and accruals	30	19,938	55,102
Amounts due to subsidiaries	22	1,663,776	1,581,897
Total liabilities		<u>1,683,714</u>	<u>1,636,999</u>
Total equity and liabilities		<u>2,719,447</u>	<u>2,739,331</u>
Net current assets		<u>927,232</u>	<u>993,831</u>
Total assets less current liabilities		<u>1,035,733</u>	<u>1,102,332</u>

WONG Ching Yi, Angela
Director

IP Kit Yee, Kitty
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2013

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Equity holders HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2013	71,805	223,505	1,315,242	1,610,552	183,717	1,794,269
Comprehensive income						
Loss for the year	-	-	(204,037)	(204,037)	5,923	(198,114)
Other comprehensive income						
Release of currency translation differences arising from disposal of subsidiaries	-	-	8	8	3	11
Currency translation differences	-	-	(1,460)	(1,460)	5	(1,455)
Change in fair value of available-for-sale financial assets	-	-	448	448	-	448
Total comprehensive loss	-	-	(205,041)	(205,041)	5,931	(199,110)
Transactions with owners						
Employee share option scheme						
- value of employee services	-	-	4,194	4,194	-	4,194
2012 final dividend paid (Note 15)	-	-	(71,805)	(71,805)	-	(71,805)
	-	-	(67,611)	(67,611)	-	(67,611)
At 31 December 2013	71,805	223,505	1,042,590	1,337,900	189,648	1,527,548
At 1 January 2012	71,939	224,354	1,210,885	1,507,178	135,826	1,643,004
Comprehensive income						
Profit for the year	-	-	249,826	249,826	47,896	297,722
Other comprehensive income						
Currency translation differences	-	-	1,128	1,128	(5)	1,123
Release of currency translation difference arising from deregistration of a subsidiary	-	-	1,408	1,408	-	1,408
Change in fair value of available-for-sale financial assets	-	-	1,181	1,181	-	1,181
Total comprehensive income	-	-	253,543	253,543	47,891	301,434
Transactions with owners						
Employee share option scheme						
- value of employee services	-	-	5,366	5,366	-	5,366
- exercise of share options (Note 28 (c)(iii))	361	18,721	(5,348)	13,734	-	13,734
Repurchase of own shares (Note 28 (b))	(495)	(19,570)	13,348	(6,717)	-	(6,717)
2011 special dividend paid	-	-	(59,584)	(59,584)	-	(59,584)
2012 interim dividend paid (Note 15)	-	-	(102,968)	(102,968)	-	(102,968)
	(134)	(849)	(149,186)	(150,169)	-	(150,169)
At 31 December 2012	71,805	223,505	1,315,242	1,610,552	183,717	1,794,269

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	33(a)	(132,676)	259,322
Hong Kong profits tax paid		(30,330)	(24,152)
Overseas taxation paid		(525)	(742)
Interest paid		(4,043)	(244)
Net cash (used in)/from operating activities		(167,574)	234,184
Cash flows from investing activities			
Net cash outflow from disposal of subsidiaries	33(b)	(1,506)	–
Purchase of property, plant and equipment	17	(73,556)	(59,213)
Purchase of land use right	19	–	(1,463)
Proceeds from disposal of property, plant and equipment		46	–
Proceeds from disposal of investment properties		24,354	–
Purchase of available-for-sale financial assets		–	(5,234)
Return of capital from available-for-sale financial assets		7,604	4,825
Decrease in bank deposits with maturity over three months from date of deposits		160	2,296
Bank interest received		6,187	11,937
Dividend received from a joint venture		4,650	11,500
Dividend received from an associated company		–	17
Net cash used in investing activities		(32,061)	(35,335)
Cash flows from financing activities			
Proceeds from issue of shares		–	13,734
Purchase of own shares		–	(6,717)
Proceeds from bank and other loans		605,000	–
Repayment of bank and other loans		(220,896)	(874)
Dividends paid to equity holders		(71,805)	(162,552)
Net cash from/(used in) financing activities		312,299	(156,409)
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 January		1,284,678	1,241,425
Exchange differences		2,849	813
Cash and cash equivalents at 31 December	27	1,400,191	1,284,678

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 (collectively, the “Group”) are provision of property agency services in Hong Kong, the People’s Republic of China (the “PRC”) and Macau.

These financial statements have been approved by the board of directors on 28 March 2014.

2 Basis of preparation

- (a) The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The 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 financial statements, are disclosed in note 5 below.

(b) Standards, interpretations and amendments effective in 2013

HKAS 1 (Amendment)	Financial Statement Presentation
HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

The adoption of the above new and revised standards and amendments and interpretations 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.

2 Basis of preparation (Continued)

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

The following new standards, amendments to standards and interpretation have been issued but are not effective for 2013 and have not been early adopted by the Group.

Effective for the year ending 31 December 2014

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities
HK(IFRIC) Interpretation 21	Levies

Effective for the year ending 31 December 2015

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures
HKFRS 9	Financial Instruments

The Group is assessing the impact of these new standards, amendments to standards and interpretation. The adoption of these new standards, amendments to standards and interpretation 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 financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The 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 deconsolidated 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 identifiable net assets.

3 Summary of significant accounting policies (Continued)

(a) Consolidation (Continued)

(i) Subsidiaries (Continued)

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.

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.

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 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 income statement.

(ii) Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of 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.

3 Summary of significant accounting policies (Continued)

(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 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 the income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement 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.

(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 exchange 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 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.

Notes to the Financial Statements

3 Summary of significant accounting policies (Continued)**(d) Property, plant and equipment**

Property, plant 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 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. The 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 cost in the income statement.

(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 income statement as part of other income or other operating costs.

3 Summary of significant accounting policies (Continued)

(e) Investment properties (Continued)

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 income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant 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, plant and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in the income statement.

(f) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Research and website development costs

The costs for developing websites which include external direct cost of materials and services consumed in developing the website are capitalised, and the capitalisation of such costs ceases no later than the point at which the website is substantially completed and ready for its intended purpose, except that such costs involve provision of additional functions or features to the website. Website development costs are amortised on a straight-line basis over a period of three years, which represent the expected useful life of the website. Capitalised website development costs are stated at cost less accumulated amortisation and impairment.

Research and other development costs relating to website development and website maintenance costs are expensed in the financial period in which they are incurred.

3 Summary of significant accounting policies (Continued)

(g) 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.

(h) Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss, 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) Financial assets at fair value through profit or loss

A financial asset (including derivative financial instrument) is classified as fair value through profit or loss if acquired principally for the purpose of trading or designated upon initial recognition. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) 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 in the balance sheet.

(iii) 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.

3 Summary of significant accounting policies (Continued)

(h) Financial assets (Continued)

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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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 and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gain or loss arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement within other income/other operating costs in the financial period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

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 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 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 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 income statement as part of other income. Dividend on available-for-sale equity instruments are recognised in the 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.

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 the income statement) is removed from equity and recognised in the income statement. Impairment recognised in the income statement on equity instruments are not reversed through the income statement.

3 Summary of significant accounting policies (Continued)

(i) 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 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 income statement.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, 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 balance sheet.

(k) 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 attributable to owners of the Company until the shares are cancelled or reissued.

(l) 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. Accounts payable 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.

3 Summary of significant accounting policies (Continued)

(m) 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 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.

(n) 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 income statement in the period in which they are incurred.

(o) 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.

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.

3 Summary of significant accounting policies (Continued)

(p) 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 income statement when the contributions are payable to the fund.

(iii) Share-based compensation

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(q) 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.

3 Summary of significant accounting policies (Continued)

(r) 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.

Internet education and related services involving sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods. Services and training income are recognised when the related services are rendered.

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.

Dividend income is recognised when the right to receive payment is established.

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

(s) 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 income statement on a straight-line basis over the period of the lease.

(t) Dividend distribution

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

(u) 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 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.

Notes to the Financial Statements

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.

(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 forecasting is performed in the operating entities of the Group and aggregated by Group Finance. 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 31) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

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 2013, the Group held cash and bank balances of HK\$1,434,300,000 (2012: HK\$1,289,966,000) 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 contain 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 2013		
Trade and other payables	–	1,311,153
Borrowings	335,700	90,612
	<u>335,700</u>	<u>1,401,765</u>
At 31 December 2012		
Trade and other payables	–	1,658,555
Borrowings	12,144	–
	<u>12,144</u>	<u>1,658,555</u>

(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.

Notes to the Financial Statements

4 Financial risk management (Continued)**(b) Capital risk management (Continued)**

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 2013 and 2012 were as follows:

	2013 HK\$'000	2012 HK\$'000
Borrowings	<u>424,011</u>	<u>10,926</u>
Total equity	<u>1,527,548</u>	<u>1,794,269</u>
Gearing ratio	<u>27.76%</u>	<u>0.61%</u>

The current ratio of the Group, which represents a ratio of current assets over current liabilities, at 31 December 2013 and 2012 were as follows:

	2013 HK\$'000	2012 HK\$'000
Current assets	<u>2,888,722</u>	<u>3,112,776</u>
Current liabilities	<u>1,742,826</u>	<u>1,692,149</u>
Current ratio	<u>1.7</u>	<u>1.8</u>

Despite of the increase in gearing ratio, the current ratio of the Group is still maintained at a stable level.

(c) Fair value estimation

The carrying amounts of the financial assets of the Group, including cash and cash equivalents, deposits with financial institutions, 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).

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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 2013				
Assets				
Available-for-sale financial assets	–	15,071	–	15,071
As at 31 December 2012				
Assets				
Available-for-sale financial assets	–	18,706	–	18,706
Financial assets at fair value through profit or loss	155	–	–	155
Total	155	18,706	–	18,861

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 18.

Notes to the Financial Statements

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 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 18.

(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 income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets 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.

6 Revenues

	2013 HK\$'000	2012 HK\$'000
Turnover		
Agency fee	3,297,104	3,860,234
Rental from investment properties	3,312	3,149
Web advertising	1,916	1,698
Internet education and related services	11,479	17,332
Immigration consultancy services	27,713	26,062
Other services	2,448	2,195
	<u>3,343,972</u>	<u>3,910,670</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 which mainly include property leasing and immigration consultancy services.

	Year ended 31 December 2013			
	Property agency		Others	Total
	Residential properties	Commercial and industrial properties and shops		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total revenues	2,762,773	636,981	54,800	3,454,554
Inter-segment revenues	(63,463)	(39,187)	(7,932)	(110,582)
Revenues from external customers	<u>2,699,310</u>	<u>597,794</u>	<u>46,868</u>	<u>3,343,972</u>
Segment results	<u>(196,897)</u>	<u>13,796</u>	<u>20,991</u>	<u>(162,110)</u>
Impairment of receivables	80,508	45,567	–	126,075
Depreciation and amortisation costs	46,832	8,830	1,198	56,860
Share of results of joint ventures	–	–	7,492	7,492
Fair value gain on investment properties	–	–	5,636	5,636
Additions to non-current assets	<u>62,279</u>	<u>10,909</u>	<u>368</u>	<u>73,556</u>

Notes to the Financial Statements

7 Segment information (Continued)

	Year ended 31 December 2012			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	3,120,953	850,255	58,368	4,029,576
Inter-segment revenues	(68,661)	(42,313)	(7,932)	(118,906)
Revenues from external customers	<u>3,052,292</u>	<u>807,942</u>	<u>50,436</u>	<u>3,910,670</u>
Segment results	<u>211,405</u>	<u>183,385</u>	<u>35,167</u>	<u>429,957</u>
Impairment of receivables	69,659	46,916	–	116,575
Depreciation and amortisation costs	41,591	4,803	419	46,813
Share of results of joint ventures	–	–	6,999	6,999
Fair value gain on investment properties	–	–	19,247	19,247
Additions to non-current assets	<u>51,624</u>	<u>7,918</u>	<u>1,134</u>	<u>60,676</u>

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, fair value (loss)/gain on financial assets at fair value through profit or loss, realised gain 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:

	2013 HK\$'000	2012 HK\$'000
Segment results for reportable segments	(162,110)	429,957
Corporate expenses	(43,505)	(86,111)
Fair value (loss)/gain on financial assets at fair value through profit or loss	(12)	25
Realised gain on available-for-sale financial assets	3,521	1,937
Finance income	6,187	11,937
Finance costs	(4,043)	(244)
(Loss)/profit before taxation per consolidated income statement	<u>(199,962)</u>	<u>357,501</u>

Notes to the Financial Statements

7 Segment information (Continued)

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, financial assets at fair value through profit or loss, available-for-sale financial assets, all of which are managed on a central basis. The following is total segment assets and liabilities by reporting segments:

	As at 31 December 2013			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	<u>1,585,208</u>	<u>790,347</u>	<u>196,689</u>	<u>2,572,244</u>
Segment assets include:				
Interests in joint ventures	<u>–</u>	<u>–</u>	<u>56,431</u>	<u>56,431</u>
Segment liabilities	<u>1,051,577</u>	<u>189,138</u>	<u>28,453</u>	<u>1,269,168</u>

	As at 31 December 2012			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	<u>1,553,034</u>	<u>971,189</u>	<u>223,870</u>	<u>2,748,093</u>
Segment assets include:				
Interests in joint ventures	<u>–</u>	<u>–</u>	<u>53,589</u>	<u>53,589</u>
Segment liabilities	<u>1,222,010</u>	<u>378,686</u>	<u>22,270</u>	<u>1,622,966</u>

Notes to the Financial Statements

7 Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2013 HK\$'000	2012 HK\$'000
Segment assets	2,572,244	2,748,093
Corporate assets	649,971	700,410
Deferred taxation assets	35,920	21,471
Financial assets at fair value through profit or loss	–	155
Available-for-sale financial assets	15,071	18,706
Total assets per consolidated balance sheet	<u>3,273,206</u>	<u>3,488,835</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2013 HK\$'000	2012 HK\$'000
Segment liabilities	1,269,168	1,622,966
Corporate liabilities	473,658	69,183
Deferred taxation liabilities	2,832	2,417
Total liabilities per consolidated balance sheet	<u>1,745,658</u>	<u>1,694,566</u>

Geographical information:

	2013 HK\$'000	2012 HK\$'000
Hong Kong and Macau	2,676,326	3,486,196
PRC	667,646	424,474
Revenues from external customers	<u>3,343,972</u>	<u>3,910,670</u>

Revenues are attributed to locations where the transactions took place.

8 Other income

	2013 HK\$'000	2012 HK\$'000
Fair value gain on investment properties (Note 18)	5,636	19,247
Gain on disposal of investment properties	2,254	–
Gain on disposal of subsidiaries	2,205	–
Realised gain on available-for-sale financial assets	3,521	1,937
Fair value gain on financial assets at fair value through profit or loss	–	25
Others	3,582	2,198
	<u>17,198</u>	<u>23,407</u>

9 Staff costs, including directors' emoluments

	2013 HK\$'000	2012 HK\$'000
Salaries and allowances	798,721	772,470
Commissions	986,165	1,305,653
Pension costs for defined contribution plans	87,347	58,368
Share-based benefits	4,194	5,366
	<u>1,876,427</u>	<u>2,141,857</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 income statement as incurred.

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

Notes to the Financial Statements

10 Directors' emoluments and five highest paid individuals

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2013 is set out below:

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance incentives HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive Directors					
Ms. TANG Mei Lai, Metty	–	4,226	387	30	4,643
Ms. WONG Ching Yi, Angela	30	1,804	–	17	1,851
Mr. WONG Tsz Wa, Pierre	–	5,396	–	15	5,411
Ms. IP Kit Yee, Kitty	–	2,258	–	15	2,273
Mr. CHEUNG Kam Shing	–	1,565	1,126	15	2,706
Mr. CHAN Kwan Hing (Resigned on 24 August 2013)	–	2,419	–	10	2,429
	30	17,668	1,513	102	19,313
Non-executive Director					
Mr. WONG Kin Yip, Freddie (Note)	70	11,225	–	13	11,308
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 (Appointed on 24 September 2013)	54	–	–	–	54
Mr. WANG Ching Miao, Wilson (Resigned on 24 September 2013)	146	–	–	–	146
	800	–	–	–	800
	900	28,893	1,513	115	31,421

Note: Mr. WONG Kin Yip, Freddie was re-designated from an executive director to a non-executive director on 26 August 2013. The emoluments from 1 January 2013 up to the date of re-designation were HK\$11,235,000.

10 Directors' emoluments and five highest paid individuals (Continued)

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2012 is set out below:

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance incentives HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive Directors						
Mr. WONG Kin Yip, Freddie	-	17,081	15,878	-	14	32,973
Ms. TANG Mei Lai, Metty	-	4,597	307	1,067	27	5,998
Ms. WONG Ching Yi, Angela	30	1,680	4,466	-	14	6,190
Mr. WONG Tsz Wa, Pierre (Appointed on 23 November 2012)						
(Note a)	-	816	1,428	-	2	2,246
Ms. IP Kit Yee, Kitty	-	2,231	744	188	14	3,177
Mr. CHEUNG Kam Shing	-	1,734	3,457	-	14	5,205
Mr. CHAN Kwan Hing	-	1,945	8,543	-	14	10,502
Mr. WONG Kam Hong (Resigned on 3 May 2012)	-	9,964	-	-	4	9,968
	<u>30</u>	<u>40,048</u>	<u>34,823</u>	<u>1,255</u>	<u>103</u>	<u>76,259</u>
Independent						
Non-executive Directors						
Mr. KOO Fook Sun, Louis	200	-	-	-	-	200
Mr. SUN Tak Chiu	200	-	-	-	-	200
Mr. CHAN Nim Leung, Leon (Appointed on 23 November 2012)	21	-	-	-	-	21
Mr. WANG Ching Miao, Wilson	200	-	-	-	-	200
	<u>621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>621</u>
	<u>651</u>	<u>40,048</u>	<u>34,823</u>	<u>1,255</u>	<u>103</u>	<u>76,880</u>

Note (a): Mr. WONG Tsz Wa, Pierre was appointed as Executive Director on 23 November 2012. The emoluments from 1 January 2012 up to the date of appointment as Executive Director were HK\$19,287,000. He was one of the five highest paid individuals of the Group for the year ended 31 December 2012 with total emoluments of HK\$21,533,000.

Notes to the Financial Statements

10 Directors' emoluments and five highest paid individuals (Continued)**(a) Directors' emoluments (Continued)**

In addition to the directors' emoluments disclosed above, the estimated value of share options granted to Ms. TANG Mei Lai, Metty and Ms WONG Ching Yi, Angela amounting to HK\$2,097,000 each (2012: HK\$2,892,000 each). Including the estimated value of share options granted, total remuneration of Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela for the year ended 31 December 2013 amounting to HK\$6,740,000 (2012: HK\$8,890,000) and HK\$3,948,000 (2012: HK\$9,082,000) respectively.

After deducting the estimated value of share options forfeited of HK\$418,000, total remuneration of Mr. WONG Kam Hong for the year ended 31 December 2012 amounting to HK\$9,550,000.

During the year ended 31 December 2013, consultancy fee is paid to Mr. WONG Kin Yip, Freddie for consultancy service provided, details of which has been disclosed in note 37 to the financial statements.

No director waived or agreed to waive any emoluments during the year (2012: Nil). No incentive payment for joining the Group was paid or payable to any directors during the year (2012: Nil). No compensation for loss of office was paid to directors during the year ended 31 December 2013 (2012: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year are directors (2012: five) whose emoluments are reflected in the analysis presented above.

11 Operating (loss)/profit

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

	2013	2012
	HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment	5,043	4,564
Direct operating expenses arising from investment properties that:		
– generated rental income	294	281
– did not generate rental income	159	130
Fair value loss on financial assets at fair value through profit or loss	12	–
Auditor's remuneration		
– audit services	3,466	4,124
– non-audit services	1,208	1,313
	<u>1,208</u>	<u>1,313</u>

12 Finance income and costs

	2013 HK\$'000	2012 HK\$'000
Finance income		
Bank interest income	6,187	11,937
Finance costs		
Interest on bank loans, overdrafts and other loan		
Wholly repayable within five years	(3,847)	(20)
Not wholly repayable within five years (Note)	(196)	(224)
	<u>(4,043)</u>	<u>(244)</u>
Finance income, net	<u>2,144</u>	<u>11,693</u>

Note: The classification by repayment period is based on the scheduled repayment dates set out in the loan agreements and ignores the effect of any repayment on demand clause.

13 Taxation

	2013 HK\$'000	2012 HK\$'000
Current		
Hong Kong profits tax	11,544	65,178
Overseas	678	751
Deferred (Note 32)	<u>(14,070)</u>	<u>(6,150)</u>
	<u>(1,848)</u>	<u>59,779</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

Notes to the Financial Statements

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:

	2013 HK\$'000	2012 HK\$'000
(Loss)/profit before taxation	(199,962)	357,501
Less: share of results of joint ventures	(7,492)	(6,999)
	<u>(207,454)</u>	<u>350,502</u>
Calculated at a taxation rate of 16.5% (2012: 16.5%)	(34,230)	57,833
Effect of different taxation rates in other countries	(7,149)	(4,646)
Income not subject to taxation	(3,468)	(5,488)
Expenses not deductible for taxation purposes	1,657	1,305
Utilisation of previously unrecognised tax losses	(479)	(1,075)
Tax losses not recognised	42,552	13,272
Others	(731)	(1,422)
Taxation (credit)/charge	<u>(1,848)</u>	<u>59,779</u>

14 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$1,012,000 (2012: HK\$202,645,000).

15 Dividends

	2013 HK\$'000	2012 HK\$'000
Interim dividend paid of nil (2012: HK\$0.1434) per share	–	102,968
Proposed final dividend of nil (2012: HK\$0.10) per share	–	71,805
	<u>–</u>	<u>174,773</u>

The Board does not recommend the payment of any dividend for the year ended 31 December 2013.

16 (Loss)/earnings per share

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

	2013 HK\$'000	2012 HK\$'000
(Loss)/profit attributable to equity holders	<u>(204,037)</u>	<u>249,826</u>
Number of shares for calculation of basic earnings per share (thousands)	718,046	716,137
Effect on conversion of share options (thousands)	<u>–</u>	<u>1,394</u>
Number of shares for calculation of diluted earnings per share (thousands)	<u>718,046</u>	<u>717,531</u>
Basic (loss)/earnings per share (HK cents)	<u>(28.42)</u>	<u>34.89</u>
Diluted (loss)/earnings per share (HK cents)	<u>(28.42)</u>	<u>34.82</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 share 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 2013 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

17 Property, plant and equipment

Group

	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 2013						
Cost	190,707	220,464	57,686	185,710	4,248	658,815
Accumulated depreciation and amortisation	(95,738)	(187,805)	(43,300)	(149,394)	(3,508)	(479,745)
Net book amount	<u>94,969</u>	<u>32,659</u>	<u>14,386</u>	<u>36,316</u>	<u>740</u>	<u>179,070</u>
Year ended 31 December 2013						
Opening net book amount	94,969	32,659	14,386	36,316	740	179,070
Additions	–	37,062	13,168	22,891	435	73,556
Disposals	–	(1,138)	(626)	(3,325)	–	(5,089)
Disposal of subsidiaries (Note 33(b))	–	(43)	(10)	(611)	–	(664)
Depreciation and amortisation costs	(1,931)	(32,896)	(6,119)	(16,780)	(292)	(58,018)
Exchange differences	18	370	356	7	–	751
Closing 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>
At 31 December 2013						
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>
At 1 January 2012						
Cost	189,998	209,141	56,392	165,272	4,012	624,815
Accumulated depreciation and amortisation	(93,793)	(171,214)	(40,568)	(143,706)	(3,456)	(452,737)
Net book amount	<u>96,205</u>	<u>37,927</u>	<u>15,824</u>	<u>21,566</u>	<u>556</u>	<u>172,078</u>
Year ended 31 December 2012						
Opening net book amount	96,205	37,927	15,824	21,566	556	172,078
Additions	700	25,417	4,562	27,998	536	59,213
Disposals	–	(1,778)	(553)	(2,219)	(14)	(4,564)
Depreciation and amortisation costs	(1,944)	(29,048)	(5,579)	(11,031)	(338)	(47,940)
Exchange differences	8	141	132	2	–	283
Closing net book amount	<u>94,969</u>	<u>32,659</u>	<u>14,386</u>	<u>36,316</u>	<u>740</u>	<u>179,070</u>
At 31 December 2012						
Cost	190,707	220,464	57,686	185,710	4,248	658,815
Accumulated depreciation and amortisation	(95,738)	(187,805)	(43,300)	(149,394)	(3,508)	(479,745)
Net book amount	<u>94,969</u>	<u>32,659</u>	<u>14,386</u>	<u>36,316</u>	<u>740</u>	<u>179,070</u>

17 Property, plant and equipment (Continued)

The carrying amounts of land are analysed as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
In Hong Kong		
Leases of over 50 years	43,352	43,766
Leases of between 10 to 50 years	24,214	24,972
	<u>67,566</u>	<u>68,738</u>

Land and buildings with net book value of HK\$67,765,000 (2012: HK\$25,607,000) are pledged as security for the Group's bank loans (Note 31).

In addition, land and buildings with net book value of HK\$3,975,000 (2012: HK\$24,607,000) are pledged to secure the general banking facilities granted to the Group.

18 Investment properties

	Group	
	2013 HK\$'000	2012 HK\$'000
Opening net book amount	101,812	82,270
Change in fair value to income statement (Note 8)	5,636	19,247
Disposals	(22,100)	–
Exchange differences	701	295
Closing net book amount	<u>86,049</u>	<u>101,812</u>

The fair value gain on investment properties is included in "Other income" in the consolidated income statement (Note 8).

On 31 December 2013, valuations were undertaken by Knight Frank Petty Limited, an independent qualified professional valuer not related to the Group and have 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.

Management would review the valuations performed by the independent qualified valuers and analyse the changes in fair value at each reporting date. Discussions of valuation processes and results are held between management and valuers bi-annually.

Notes to the Financial Statements

18 Investment properties (Continued)

Information about fair value measurements using significant unobservable inputs:

Investment properties	Fair value HK\$'000	Range of significant unobservable inputs	
		Prevailing market rent per month	Capitalisation rate
Hong Kong	55,920	HK\$37 to HK\$100 per sq. ft. (saleable)	3.25% to 4.5%
The PRC	30,129	RMB135 to RMB1,210 per sq. m. (gross)	4.0% to 5.0%
Total	<u>86,049</u>		

Prevailing market rents are estimated based on independent 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 independent valuers based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

Investment properties at their net book values are analysed as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
In Hong Kong		
Leases of over 50 years	14,200	24,710
Leases of between 10 to 50 years	41,720	49,840
	<u>55,920</u>	<u>74,550</u>
Outside Hong Kong		
Leases of over 50 years	14,744	13,762
Leases of between 10 to 50 years	15,385	13,500
	<u>30,129</u>	<u>27,262</u>
	<u>86,049</u>	<u>101,812</u>

As at 31 December 2012, investment properties of HK\$13,360,000 were pledged to secure general banking facilities granted to the Group (2013: Nil).

Investment property with net book value of HK\$1,000,000 (2012: HK\$1,070,000) is pledged as security for the Group's bank loan (Note 31).

Notes to the Financial Statements

19 Land use rights

	Group	
	2013 HK\$'000	2012 HK\$'000
Opening net book amount	1,411	–
Additions	–	1,463
Amortisation	(39)	(70)
Exchange differences	35	18
Closing net book amount	<u>1,407</u>	<u>1,411</u>

Land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Outside Hong Kong		
Leases of between 10 to 50 years	<u>1,407</u>	<u>1,411</u>

20 Intangible assets

	Goodwill	Group Website development cost	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 and 31 December 2012			
Cost	30,125	29,659	59,784
Accumulated amortisation and impairment	(30,125)	(29,659)	(59,784)
Net book amount	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2013			
Cost	–	–	–
Accumulated amortisation and impairment	–	–	–
Net book amount	<u>–</u>	<u>–</u>	<u>–</u>

The intangible assets have been written off or disposed upon the disposal of subsidiaries during the year.

Notes to the Financial Statements

21 Subsidiaries

	Company	
	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	<u>108,501</u>	<u>108,501</u>

Details of principal subsidiaries are set out in note 38(i) to the financial statements.

The non-controlling interest is attributed to Midland IC&I Limited ("Midland IC&I"). Midland IC&I is listed on the main board of the Stock Exchange. Midland IC&I's financial information before intra-group elimination is set out in the annual report of Midland IC&I.

22 Amounts due from/to subsidiaries

The amounts receivable and payable are unsecured, interest free and repayable on demand.

23 Interests in joint ventures

	Group	
	2013 HK\$'000	2012 HK\$'000
Share of net assets	<u>56,431</u>	<u>53,589</u>
Unlisted shares, at costs	<u>12,044</u>	<u>12,044</u>

Details of principal joint ventures are set out in note 38(ii) 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:

	2013 HK\$'000	2012 HK\$'000
Share of profit	7,492	6,999
Share of other comprehensive income	<u>–</u>	<u>–</u>
Share of total comprehensive income	<u>7,492</u>	<u>6,999</u>
Carrying amount of interests in these joint ventures	<u>56,431</u>	<u>53,589</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 2013 and 2012.

24 Available-for-sale financial assets

	Group	
	2013 HK\$'000	2012 HK\$'000
Unlisted investments, at fair value	<u>15,071</u>	<u>18,706</u>

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

25 Trade and other receivables

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade receivables	1,317,691	1,661,377	–	–
Less: impairment	<u>(148,753)</u>	<u>(131,655)</u>	–	–
Trade receivables, net	1,168,938	1,529,722	–	–
Other receivables, prepayments and deposits	<u>281,857</u>	<u>292,933</u>	<u>1,135</u>	<u>858</u>
	<u>1,450,795</u>	<u>1,822,655</u>	<u>1,135</u>	<u>858</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:

	Group	
	2013 HK\$'000	2012 HK\$'000
Not yet due	1,053,958	1,337,933
Less than 30 days	34,703	100,082
31 to 60 days	36,841	33,581
61 to 90 days	9,736	23,840
Over 90 days	<u>33,700</u>	<u>34,286</u>
	<u>1,168,938</u>	<u>1,529,722</u>

Trade receivables of HK\$114,980,000 (2012: HK\$191,789,000) were past due but not impaired. Such receivables were either past due for less than six months or subsequently settled after the year end.

Notes to the Financial Statements

25 Trade and other receivables (Continued)

Trade receivables of HK\$148,753,000 (2012: HK\$131,655,000) are mainly past due for more than six months, impaired and have been fully provided. The ageing analysis of such receivables is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Less than 6 months	326	319
6 to 12 months	48,668	34,557
Over 12 months	99,759	96,779
	<u>148,753</u>	<u>131,655</u>

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

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 January	131,655	128,663
Provision for impairment	131,656	122,188
Write-off of uncollectible debts	(108,007)	(113,583)
Unused amounts reversed	(5,581)	(5,613)
Disposal of subsidiaries	(970)	–
At 31 December	<u>148,753</u>	<u>131,655</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.

26 Financial assets at fair value through profit or loss

	Group	
	2013 HK\$'000	2012 HK\$'000
Equity securities listed in Hong Kong, at market value	<u>–</u>	<u>155</u>

In 2012, the fair values of financial assets at fair value through profit or loss were based on their current bid prices in active markets.

27 Cash and bank balances

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Cash at banks and in hand	1,018,796	785,404	591	373
Bank deposits	415,504	504,562	–	–
Cash and bank balances	1,434,300	1,289,966	591	373
Less:				
Bank deposits with maturity over three months from date of deposits	(5,128)	(5,288)	–	–
Bank overdrafts	(28,981)	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows	<u>1,400,191</u>	<u>1,284,678</u>	<u>591</u>	<u>373</u>

The cash and bank balances include guarantee deposits of HK\$5,128,000 (2012: HK\$2,500,000) which are placed by certain wholly-owned subsidiaries for business purposes at designated bank accounts in the PRC.

As at 31 December 2013 and 2012, the Group's cash and cash equivalents and short term bank deposits included balances of HK\$115,163,000 and HK\$111,100,000 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.

28 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 2012	719,389,425	71,939	224,354	296,293
Exercise of share options (Note (c)(iii))	3,604,580	361	18,721	19,082
Cancellation of shares repurchased (Note b)	(4,948,000)	(495)	(19,570)	(20,065)
At 31 December 2012 and 31 December 2013	<u>718,046,005</u>	<u>71,805</u>	<u>223,505</u>	<u>295,310</u>

Notes to the Financial Statements

28 Share capital and premium (Continued)

Notes:

(a) Share capital

The total authorised number of ordinary shares is 1 billion shares (2012: 1 billion shares) with a nominal value of HK\$0.10 per share (2012: HK\$0.10 per share). All issued shares are fully paid.

(b) Repurchase of shares

During the year, the Company did not repurchase any shares. During the year ended 31 December 2012, the Company repurchased 1,650,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$6,717,000 (including expense of HK\$33,000) and cancelled 4,948,000 shares (including 3,298,000 shares repurchased in 2011).

(c) 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	
		2013	2012
1 August 2011 to 31 July 2019	4.29	3,904,580	4,054,580
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>22,077,480</u>

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

	2013		2012	
	Average exercise price per option HK\$	Number of options	Average exercise price per option HK\$	Number of options
At beginning of the year	3.977	22,077,480	3.936	29,286,640
Exercised	–	–	3.810	(3,604,580)
Lapsed	4.290	(150,000)	–	–
Forfeited	–	–	3.810	(3,604,580)
At end of the year	3.974	<u>21,927,480</u>	3.977	<u>22,077,480</u>

During 2011, a total of 29,286,640 share options were granted to certain directors of the Company under the share option scheme of the Company (the "Share Option Scheme"). The vesting period of these options ends when they become exercisable. A consideration of HK\$1 from each of the grantees was received.

28 Share capital and premium (Continued)

Notes: (Continued)

(c) Share options of the Company (Continued)

(ii) (Continued)

The weighted average share price at the date of exercise for share options exercised during 2012 was HK\$4.11.

Out of the 21,927,480 outstanding options (2012: 22,077,480 options), 21,927,480 options (2012: 14,868,320 options) were exercisable as at 31 December 2013.

The options outstanding as at 31 December 2013 had an exercise price of HK\$3.81 or HK\$4.29 (2012: HK\$3.81 or HK\$4.29) and a weighted average remaining contractual life of 6.50 years (2012: 7.25 years).

No share options had been granted during the year. The Group recognised a total expense of HK\$4,194,000 for the year ended 31 December 2013 (2012: HK\$5,366,000) in relation to share options granted under the Share Option Scheme.

(iii) Shares issued under the Share Option Scheme

In July and August 2012, share options were exercised to subscribe for 3,604,580 ordinary shares in the Company at an aggregate consideration of approximately HK\$13,734,000 of which HK\$361,000 was credited to share capital and the balance of HK\$13,373,000 was credited to the share premium account. HK\$5,348,000 has been transferred from employee benefits reserve to the share premium reserve.

(d) Share options of Midland IC&I

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	
			2013	2012
Options granted to directors of Midland IC&I	1 October 2011 to 30 September 2016	0.053	<u>20,000,000</u>	<u>20,000,000</u>

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

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

	2013		2012	
	Average exercise price per option HK\$	Number of options	Average exercise price per option HK\$	Number of options
At the beginning and the end of the year	0.053	<u>20,000,000</u>	0.053	<u>20,000,000</u>

All of the 20,000,000 outstanding options were exercisable as at 31 December 2013 and 2012.

The options outstanding as at 31 December 2013 had an exercise price of HK\$0.053 (2012: HK\$0.053) and a weighted average remaining contractual life of 2.75 years (2012: 3.75 years).

Notes to the Financial Statements

29 Reserves

Group

	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Employee benefits reserve HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2013	4,917	(11,553)	12	30,675	24,324	(3,091)	10,100	1,259,858	1,315,242
Loss for the year	-	-	-	-	-	-	-	(204,037)	(204,037)
Release of currency translation differences arising from disposal of subsidiaries	-	-	-	-	8	-	-	-	8
Currency translation differences	-	-	-	-	(1,460)	-	-	-	(1,460)
Change in fair value of available-for-sale financial assets	-	-	-	-	-	448	-	-	448
Share-based benefits	-	-	-	4,194	-	-	-	-	4,194
Lapse of share options	-	-	-	(254)	-	-	-	254	-
2012 final dividend paid (Note 15)	-	-	-	-	-	-	-	(71,805)	(71,805)
At 31 December 2013	<u>4,917</u>	<u>(11,553)</u>	<u>12</u>	<u>34,615</u>	<u>22,872</u>	<u>(2,643)</u>	<u>10,100</u>	<u>984,270</u>	<u>1,042,590</u>
Representing:									
Reserves	4,917	(11,553)	12	34,615	22,872	(2,643)	10,100	984,270	1,042,590
2013 proposed final dividend (Note 15)	-	-	-	-	-	-	-	-	-
At 31 December 2013	<u>4,917</u>	<u>(11,553)</u>	<u>12</u>	<u>34,615</u>	<u>22,872</u>	<u>(2,643)</u>	<u>10,100</u>	<u>984,270</u>	<u>1,042,590</u>
At 1 January 2012	(8,926)	(11,553)	12	30,657	21,788	(4,272)	10,100	1,173,079	1,210,885
Profit for the year	-	-	-	-	-	-	-	249,826	249,826
Currency translation differences	-	-	-	-	1,128	-	-	-	1,128
Release of translation difference arising from deregistration of a subsidiary	-	-	-	-	1,408	-	-	-	1,408
Change in fair value of available-for-sale financial assets	-	-	-	-	-	1,181	-	-	1,181
Share-based benefits	-	-	-	5,366	-	-	-	-	5,366
Exercise of share options (Note 28 (c)(iii))	-	-	-	(5,348)	-	-	-	-	(5,348)
Repurchase and cancellation of own shares	13,843	-	-	-	-	-	-	(495)	13,348
2011 special dividend paid	-	-	-	-	-	-	-	(59,584)	(59,584)
2012 interim dividend paid (Note 15)	-	-	-	-	-	-	-	(102,968)	(102,968)
At 31 December 2012	<u>4,917</u>	<u>(11,553)</u>	<u>12</u>	<u>30,675</u>	<u>24,324</u>	<u>(3,091)</u>	<u>10,100</u>	<u>1,259,858</u>	<u>1,315,242</u>
Representing:									
Reserves	4,917	(11,553)	12	30,675	24,324	(3,091)	10,100	1,188,053	1,243,437
2012 proposed final dividend (Note 15)	-	-	-	-	-	-	-	71,805	71,805
At 31 December 2012	<u>4,917</u>	<u>(11,553)</u>	<u>12</u>	<u>30,675</u>	<u>24,324</u>	<u>(3,091)</u>	<u>10,100</u>	<u>1,259,858</u>	<u>1,315,242</u>

29 Reserves (Continued)

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 2013	4,917	30,277	108,001	663,827	807,022
Profit for the year	–	–	–	1,012	1,012
Share-based benefits	–	4,194	–	–	4,194
Lapse of share options	–	(254)	–	254	–
2012 final dividend paid (Note 15)	–	–	–	(71,805)	(71,805)
At 31 December 2013	<u>4,917</u>	<u>34,217</u>	<u>108,001</u>	<u>593,288</u>	<u>740,423</u>
Representing:					
Reserves	4,917	34,217	108,001	593,288	740,423
2013 proposed final dividend (Note 15)	–	–	–	–	–
At 31 December 2013	<u>4,917</u>	<u>34,217</u>	<u>108,001</u>	<u>593,288</u>	<u>740,423</u>
At 1 January 2012	(8,926)	30,259	108,001	624,229	753,563
Profit for the year	–	–	–	202,645	202,645
Share-based benefits	–	5,366	–	–	5,366
Repurchase and cancellation of own shares	13,843	–	–	(495)	13,348
Exercise of share options (Note 28 (c)(iii))	–	(5,348)	–	–	(5,348)
2011 special dividend paid	–	–	–	(59,584)	(59,584)
2012 interim dividend paid (Note 15)	–	–	–	(102,968)	(102,968)
At 31 December 2012	<u>4,917</u>	<u>30,277</u>	<u>108,001</u>	<u>663,827</u>	<u>807,022</u>
Representing:					
Reserves	4,917	30,277	108,001	592,022	735,217
2012 proposed final dividend (Note 15)	–	–	–	71,805	71,805
At 31 December 2012	<u>4,917</u>	<u>30,277</u>	<u>108,001</u>	<u>663,827</u>	<u>807,022</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.

Notes to the Financial Statements

30 Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commissions payable	931,426	1,273,290	–	–
Other payables and accruals	379,727	385,265	19,938	55,102
	<u>1,311,153</u>	<u>1,658,555</u>	<u>19,938</u>	<u>55,102</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\$110,125,000 (2012: HK\$194,320,000) 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.

31 Borrowings

As at 31 December 2013, the Group's borrowings are repayable as follows:

Group

	Bank loans and overdrafts		Other loan		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	324,894	893	90,000	–	414,894	893
After 1 year but within 2 years	930	910	–	–	930	910
After 2 years but within 5 years	2,895	2,838	–	–	2,895	2,838
Over 5 years	5,292	6,285	–	–	5,292	6,285
	<u>334,011</u>	<u>10,926</u>	<u>90,000</u>	<u>–</u>	<u>424,011</u>	<u>10,926</u>

The above 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 and overdrafts		Other loan		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wholly repayable within 5 years	323,981	–	90,000	–	413,981	–
Not wholly repayable within 5 years	10,030	10,926	–	–	10,030	10,926
	<u>334,011</u>	<u>10,926</u>	<u>90,000</u>	<u>–</u>	<u>424,011</u>	<u>10,926</u>

Notes to the Financial Statements

31 Borrowings (Continued)

	Group	
	2013 HK\$'000	2012 HK\$'000
Unsecured bank overdrafts	28,981	–
Bank loans		
– secured	260,030	10,926
– unsecured	45,000	–
Other loan		
– unsecured	90,000	–
	<u>424,011</u>	<u>10,926</u>

Bank loans are secured by certain land and buildings and investment property held by the Group (Notes 17 and 18) and guarantees provided by the Company (Note 34).

The effective interest rate of the borrowings is 1.56%-8.00% (2012: 1.93%). The carrying amount and fair value of the borrowings are as follows:

	Carrying amount		Fair value	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Borrowings	<u>424,011</u>	<u>10,926</u>	<u>424,011</u>	<u>10,926</u>

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 1.56%-8.00% (2012: 1.93%).

The Group has the following undrawn borrowing facilities:

	2013 HK\$'000	2012 HK\$'000
Floating rates		
Expiring within one year	<u>95,795</u>	<u>184,221</u>

32 Deferred taxation

	Group	
	2013 HK\$'000	2012 HK\$'000
Deferred taxation assets	(35,920)	(21,471)
Deferred taxation liabilities	<u>2,832</u>	<u>2,417</u>
	<u>(33,088)</u>	<u>(19,054)</u>

Notes to the Financial Statements

32 Deferred taxation (Continued)

The net movements on the deferred taxation are as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 January	(19,054)	(12,904)
Recognised in the income statement (Note 13)	(14,070)	(6,150)
Disposal of subsidiaries	36	–
At 31 December	<u>(33,088)</u>	<u>(19,054)</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

	Group			
	Provision HK\$'000	Accelerated depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2012	(10,336)	(3,546)	–	(13,882)
Recognised in the income statement	<u>(6,461)</u>	<u>1,316</u>	<u>(3,132)</u>	<u>(8,277)</u>
At 31 December 2012	(16,797)	(2,230)	(3,132)	(22,159)
Recognised in the income statement	561	173	(14,749)	(14,015)
Disposal of subsidiaries	–	36	–	36
At 31 December 2013	<u>(16,236)</u>	<u>(2,021)</u>	<u>(17,881)</u>	<u>(36,138)</u>

Deferred taxation liabilities

	Group	
	2013 HK\$'000	2012 HK\$'000
As 1 January	3,105	978
Recognised in the income statement	<u>(55)</u>	<u>2,127</u>
At 31 December	<u>3,050</u>	<u>3,105</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\$102,619,000 (2012: HK\$76,359,000) in respect of losses amounting to HK\$472,614,000 (2012: HK\$324,503,000) as at 31 December 2013. 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\$235,665,000 (2012: HK\$268,426,000) will expire from 2014 to 2018 (2012: from 2013 to 2017).

32 Deferred taxation (Continued)

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

	Group	
	2013 HK\$'000	2012 HK\$'000
Deferred taxation assets		
Recoverable more than twelve months	(19,709)	(5,206)
Recoverable within twelve months	(16,211)	(16,265)
	<u>(35,920)</u>	<u>(21,471)</u>
Deferred taxation liabilities		
Payable or settle after more than twelve months	1,987	2,082
Payable or settle within twelve months	845	335
	<u>2,832</u>	<u>2,417</u>

33 Notes to consolidated statement of cash flows

(a) Reconciliation of operating (loss)/profit to net cash (used in)/generated from operations

	2013 HK\$'000	2012 HK\$'000
Operating (loss)/profit	(209,598)	338,809
Impairment of receivables	126,075	116,575
Depreciation and amortisation costs	58,057	48,010
Fair value gain on investment properties	(5,636)	(19,247)
Gain on disposal of investment properties	(2,254)	–
Gain on disposal of subsidiaries	(2,205)	–
Realised gain on available-for-sale financial assets	(3,521)	(1,937)
Loss on disposal of property, plant and equipment	5,043	4,564
Fair value loss/(gain) on financial assets at fair value through profit or loss	12	(25)
Release of currency translation difference arising from deregistration of a subsidiary	–	1,408
Share-based benefits	4,194	5,366
	<u>(29,833)</u>	<u>493,523</u>
Operating (loss)/profit before working capital changes	(29,833)	493,523
Decrease/(increase) in trade and other receivables	245,213	(770,639)
(Decrease)/increase in trade and other payables	(348,056)	536,438
	<u>(132,676)</u>	<u>259,322</u>
Net cash (used in)/generated from operations	(132,676)	259,322

Notes to the Financial Statements

33 Notes to consolidated statement of cash flows (Continued)**(b) Disposal of subsidiaries**

	2013 HK\$'000	2012 HK\$'000
Net liabilities disposed:		
Property, plant and equipment	664	–
Deferred taxation assets	36	–
Trade and other receivables	4,044	–
Financial assets at fair value through profit or loss	143	–
Trade and other payables	(8,609)	–
Cash and bank balances	3,506	–
	<u>(216)</u>	<u>–</u>
Exchange reserve realised	11	–
Gain on disposal of subsidiaries	2,205	–
Total consideration	<u>2,000</u>	<u>–</u>
Net cash outflow from disposal of subsidiaries:		
Cash consideration	2,000	–
Cash and bank balances disposed	(3,506)	–
	<u>(1,506)</u>	<u>–</u>

34 Contingent liabilities

As at 31 December 2013, the Company executed corporate guarantee as part of the securities for general banking and other loan facilities of HK\$542,700,000 granted to certain wholly-owned subsidiaries (2012: HK\$180,200,000). At 31 December 2013, HK\$425,701,000 of these facilities were utilised by the subsidiaries (2012: HK\$11,479,000).

The Group has been involved in certain claims/litigations in respect of property agency services. After seeking appropriate legal advice, the directors are of the opinion that either no provision is required or that adequate provision has been made in the financial statements to cover any potential liabilities.

35 Future lease rental receivable

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

	Group	
	2013 HK\$'000	2012 HK\$'000
Within one year	2,420	2,686
Between one year and five years	501	1,557
	<u>2,921</u>	<u>4,243</u>

36 Commitments

(a) Capital commitments

The Group and the Company did not have any significant capital commitments as at 31 December 2013 and 2012.

(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:

	Group	
	2013 HK\$'000	2012 HK\$'000
Within one year	463,393	509,819
After one year but within five years	259,187	368,727
More than five years	764	1,262
	<u>723,344</u>	<u>879,808</u>

The Company did not have any significant operating lease commitments as at 31 December 2013 and 2012.

Notes to the Financial Statements

37 Significant related party transactions

The Group had the following significant transactions with related parties during the year and balances with related parties at the balance sheet date:

	Note	2013 HK\$'000	2012 HK\$'000
(a) Transactions with related parties			
Agency fee income from			
– Related companies	(i)	398	3,567
– Directors	(ii)	269	50
Operating lease rental expenses in respect of office and shop premises			
– Related companies	(iii)	10,722	9,399
– Directors	(iv)	1,049	1,391
Services income from a related company	(v)	–	680
Interest on a loan provided by a director	(vi)	1,262	–
Consultancy fee paid to a director	(vii)	1,174	–
(b) Key management compensation	(viii)		
Fees, salaries, allowances and incentives		30,436	76,156
Share-based benefits		4,194	5,366
Retirement benefit costs		112	103
		<u>34,742</u>	<u>81,625</u>
(c) Balance with related companies			
Loan to a related company	(ix)	198	198
Agency fee receivables from related companies	(i)	35	3,040

Notes:

- (i) Agency fee income from related companies represents agency fee for property agency service receivable from certain related companies, in which directors of the Company have beneficial interests, on terms mutually agreed by both parties.
- (ii) Agency fee income from directors of the Company represents agency fee for property agency service receivable from directors of the Company on terms mutually agreed by both parties.
- (iii) The Group entered into certain operating lease agreements with certain related companies, in which directors of the Company have beneficial interests, on terms mutually agreed by both parties.
- (iv) The Group entered into certain operating lease agreements with directors of the Company on terms mutually agreed by both parties.
- (v) Services income from a related company represents services income received from a related company, in which directors of the Company have beneficial interests, on terms mutually agreed by both parties.
- (vi) During the year, a director granted a loan to the Group of which is unsecured and interest bearing at market rate. Such loan is fully repaid during the year.
- (vii) Consultancy fee is paid to a director for acting as strategic consultant of the Company.
- (viii) The amount represents emoluments paid or payable to Executive Directors for the year.
- (ix) The loan advanced to a joint venture is unsecured, interest free and has no fixed terms of repayment.

38 Particulars of principal subsidiaries and joint ventures

(i) Principal subsidiaries

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %	
				2013	2012
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)	The PRC	US\$5,606,000	Property agency in the PRC	100	100
HKP Estate Agency (Macau) Limited	Macau	MOP\$25,000	Property agency in Macau	100	100
Hong Kong Property Services (Agency) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	100	100
Hong Kong Property Services (China) Limited	Hong Kong	1 share of HK\$1	Investment holding in the PRC	100	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	70.80	70.80
Jolly Grace Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100	100
Midland IC&I Limited	Cayman Islands	13,700,000,000 shares of HK\$0.01 each	Investment holding in Hong Kong	70.80	70.80
Midland CyberNet Limited	Hong Kong	39,100,000 shares of HK\$1 each	Investment holding and operation of internet website in Hong Kong	100	100
Midland HKP Services (Administration) Limited	Hong Kong	2 shares of HK\$1 each	Provision of management services in Hong Kong	100	100
Midland Immigration Consultancy Limited	Hong Kong	500,000 shares of HK\$1 each	Immigration consultancy services in Hong Kong	100	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	70.80	70.80
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	70.80	70.80
Midland Realty (Macau) Limited	Macau	MOP\$25,000	Property agency in Macau	100	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	70.80	70.80

Notes to the Financial Statements

38 Particulars of principal subsidiaries and joint ventures (Continued)

(i) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %	
				2013	2012
Midland Realty (Strategic) Limited	Hong Kong	10,000 shares of HK\$1 each and 2,000,000 non-voting deferred shares of HK\$1 each	Investment holding and provision of administration services in Hong Kong	100	100
Midland Realty Consultancy (Shanghai) Company Limited (Note b)	The PRC	US\$6,650,000	Property agency in the PRC	100	100
Midland Realty International Limited	Hong Kong	1,000 shares of HK\$100 each	Property agency in Hong Kong	100	100
Midland Surveyors Limited	Hong Kong	1,000,000 shares of HK\$1 each	Provision of general administration services and valuation business in Hong Kong	100	100
Real Gain Limited	Hong Kong	10,000 shares of HK\$1 each	Property investment in Hong Kong	100	100
Teamway Group Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	70.80	70.80
Teston Profits Limited	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100	100
Worldboss Limited	Hong Kong	2 shares of HK\$1 each	Property investment in Hong Kong	100	100
Perfect Tower Limited	Hong Kong	2 shares of HK\$1 each	Property investment in the PRC	100	100
港置地產代理(深圳)有限公司 (Note b)	The PRC	HK\$39,500,000	Property agency in the PRC	100	100
縱橫擔保(深圳)有限公司 (Note b)	The PRC	US\$5,400,000	Property investment in the PRC	100	100
美聯物業代理(深圳)有限公司 (Note b)	The PRC	US\$10,310,000	Property agency in the PRC	100	100
北京美聯房地產經紀有限公司 (Note b)	The PRC	US\$3,400,000	Property agency in the PRC	100	100

38 Particulars of principal subsidiaries and joint ventures (Continued)

(i) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %	
				2013	2012
重慶美聯營銷策劃有限公司 (Note b)	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)	The PRC	US\$1,065,000	Property agency in the PRC	100	100
Hong Kong Property (Comm.) Limited	Hong Kong	1 share of HK\$1	Property agency in Hong Kong	70.80	70.80
Hong Kong Property (I&O) Limited	Hong Kong	1 share of HK\$1	Property agency in Hong Kong	70.80	70.80
Midland Realty (Global) Limited	Hong Kong	1 share of HK\$1	Property agency in Hong Kong	100	N/A
Midland IC&I Treasury Services Limited	Hong Kong	1 share of HK\$1	Provision of treasury services to the group companies in Hong Kong	70.80	70.80
Leader Concord Limited	Hong Kong	2 shares of HK\$1 each	Provision of management services in Hong Kong	70.80	70.80

(ii) Joint ventures

Company name	Place of incorporation	Principal activities and places of operation	Percentage of interest in ownership/ voting power/profit sharing	
			2013	2012
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%

Notes:

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

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	TWTL 303	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	TSWTL 1	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%
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

	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)	2009 HK\$'000 (Restated)
For the year					
Revenues	<u>3,343,972</u>	<u>3,910,670</u>	<u>3,397,723</u>	<u>3,736,952</u>	<u>3,404,856</u>
(Loss)/profit before taxation	<u>(199,962)</u>	<u>357,501</u>	<u>212,057</u>	<u>687,167</u>	<u>831,899</u>
(Loss)/profit attributable to equity holders of the Company	<u>(204,037)</u>	<u>249,826</u>	<u>133,900</u>	<u>533,813</u>	<u>691,437</u>
Cashflows					
Net cash (outflow)/inflow from operating activities	<u>(167,574)</u>	<u>234,184</u>	<u>105,951</u>	<u>614,292</u>	<u>786,556</u>
At year end					
Total assets	3,273,206	3,488,835	2,776,673	3,192,303	2,908,573
Total liabilities	1,745,658	1,694,566	1,133,669	1,308,758	1,093,732
Non-controlling interests	189,648	183,717	135,826	110,476	75,321
Total equity	<u>1,527,548</u>	<u>1,794,269</u>	<u>1,643,004</u>	<u>1,883,545</u>	<u>1,814,841</u>
Cash and bank balances	<u>1,434,300</u>	<u>1,289,966</u>	<u>1,249,009</u>	<u>1,601,926</u>	<u>1,477,419</u>
Per share data					
(Loss)/earnings per share – basic (HK cents)	<u>(28.42)</u>	<u>34.89</u>	<u>18.54</u>	<u>73.71</u>	<u>95.47</u>
Dividend per share (HK cents)					
Interim	–	14.34	22.33	26.80	17.60
Final	–	10.00	–	20.28	43.80
Special	–	–	8.34	11.80	20.00
Total	<u>–</u>	<u>24.34</u>	<u>30.67</u>	<u>58.88</u>	<u>81.40</u>

Note: The figures for 2009-2011 are restated for the adoption of amendment to HKAS12 (Amendment) – Deferred Tax: Recovery of Underlying Assets.

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