



(459) 香港聯交所上市公司

MIDLAND IC&I LIMITED

美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock code 股份代號: 459)

群策群力 共創明天

HAND IN HAND TO CREATE A BRIGHT FUTURE

Annual Report 年報 2013

*For identification purpose only 僅供識別



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. TANG Mei Lai, Metty
(Chairman and Managing Director)
 Ms. WONG Ching Yi, Angela
 Mr. WONG Hon Shing, Daniel
(Chief Executive Officer)

Non-executive Director

Mr. TSANG Link Carl, Brian
(with Mr. CHU Kuo Fai, Gordon as his alternate)

Independent Non-executive Directors

Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric
 Mr. HO Kwan Tat, Ted

AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted
(Committee Chairman)
 Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric

REMUNERATION COMMITTEE

Mr. HO Kwan Tat, Ted
(Committee Chairman)
 Ms. TANG Mei Lai, Metty
 Mr. WONG Hon Shing, Daniel
 Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric

NOMINATION COMMITTEE

Ms. TANG Mei Lai, Metty
(Committee Chairman)
 Mr. WONG Hon Shing, Daniel
 Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric
 Mr. HO Kwan Tat, Ted

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela
 Mr. WONG Hon Shing, Daniel

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1801A
 18th Floor, Office Tower One
 Grand Plaza, 625 & 639 Nathan Road
 Mongkok, Kowloon, Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

Bank of Communications Co., Ltd. Hong Kong Branch
 China CITIC Bank International Limited
 DBS Bank (Hong Kong) Limited
 Nanyang Commercial Bank, Limited
 The Hongkong and Shanghai Banking Corporation Limited
 Standard Chartered Bank (Hong Kong) Limited

HONG KONG LEGAL ADVISER

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

CAYMAN ISLANDS LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
 Cricket Square, Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis 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.midlandici.com.hk

STOCK CODE

459

Letter from Chief Executive Officer



BUSINESS REVIEW

For the year ended 31 December 2013, Midland IC&I Limited (the “Company”) and its subsidiaries (the “Group”) recorded a net profit of HK\$24,904,000. Meantime, the revenue for the year decreased by 31% to HK\$562,505,000.

The Hong Kong commercial property sector in Hong Kong froze in 2013. In the late February in 2013, the adjustment of Ad Valorem Stamp Duty was the first intervening measure made by government in the commercial sector. This policy has raised the transaction cost for investors and buyers of the non-residential properties. The robust commercial sector cooled off significantly as the investors have stood on the sidelines and almost all the short-term speculators have left the market. According to the Land Registry, the number and value of sales registrations of non-residential properties amounted to 9,829 units and HK\$102 billion respectively in 2013, down 46% and 42% from 2012.

The non-residential properties market was strong in 2012, and the market continued to bloom in beginning of 2013. However, the number of transactions dropped sharply after the adjustment of Ad Valorem Stamp Duty in late February 2013. According to the Land Registry, the number of registrations in the 2nd quarter registered a quarter-on-quarter decline of 70%, breaking the record of the 50% drop reported in the final quarter of 2008 when the financial tsunami hit Hong Kong. The market has been in stalemate and the sale activity has continued to shrink. Indeed, the quarterly transaction volume stayed below 2,000 in the final three quarters of last year.

As the transaction cost increased because of the new stamp duty arrangement, the small lump sum properties gained market attention. Amid poor market conditions, response to the sales of subdivided retail malls was still strong. In the second half of last year, the Group performed well in the exclusive sales of the subdivided units of Maxi Base, a shopping mall in North Point. With a total value of HK\$682 million, 315 units were sold. Sales responses were strong to the subdivided units of Causeway Place in Causeway Bay and The Cube in Tsuen Wan.

Letter from Chief Executive Officer

During the reporting year, local developers actively launched primary industrial and commercial projects which received strong market response. The office towers such as YHC Tower in Kwun Tong, the Billion Plaza 2 in Cheung Sha Wan, and the Global Trade Square in Wong Chuk Hang received strong response. In the industrial property segment, the Global Gateway Tower in Cheung Sha Wan and the DAN6 in Tsuen Wan, mainly comprising small sized units, was sold out within a period of time. The above showed that the investors still have a strong interest in non-residential properties with attractive return.

In the year of 2013, rent of retail properties was supported by strong retail sector. Thus, the prices of retail properties were resilient despite the tough measures. Last year, thirty one properties valued at over HK\$100 million were brokered by the Group, signifying the veteran investor was still confident on the market and the Group's leading position in the industry.

OUTLOOK

2013 was a difficult year for the Group. For the non-residential sector, 2014 will be a year characterised by drop in prices and increase in activity. Transaction is expected to pick up, as the market has digested the impact of the tough measures. Investors will become less pessimistic on the non-residential property market. This year, transaction volume has a high chance to pose a gain from the low base in last year.

Mild Price Correction May Boost Sales Activity

While the legislation of adjustment of Ad Valorem Stamp Duty is expected to be passed this year by Legislative Council, still, there are no signs of that the government will withdraw the tough measures, so property agency industry will continue to face a lengthy, challenging period ahead. Despite the US government announced the tapering and change in the rate hikes guidance, interest rate is expected to remain low in the short run. Low-interest environment will continue to provide support to asset value of the commercial properties, strengthening the confidence of the buyers. So any price correction is expected to be mild. The Group will capture business opportunities in the market.

Letter from Chief Executive Officer



1 After the new stamp duty policies in effect on the industrial and commercial properties and shops market, the Group organised a seminar, "The Direction after New Tough Measures" to share the market opinions with the investors.

2 The Group participated in the exhibition "Entrepreneur Day 2013" organised by the HKTDC and provided speeches on useful information for the people who want to start their business.



3 The first guidebook of the Group, "Investment Strategies on the Industrial, Commercial and Retail Properties" which summarised the investment strategies and experiences and analysis for non-residential market.



4 As the fast growing development of Kowloon East, our Group organised a creative event, which was a field trip to explore the Kowloon East. The professional surveyors from our survey team acted as the tour guide and introduced the potential of the district in the trip.



5 To equip our frontline staff, 10 supplementary courses were organised in 2013.



6 Midland IC&I Volunteer Team, formed by our staff, participated and showed their support for the Lok Sin Tong activities for caring the elderly.

Stable Demand for Commercial Properties

The mild recovery of the global economy and the government's plan in developing Kai Tak into another CBD provide a favorable environment to the industrial and commercial property market in Kowloon East. The growing number of Mainland enterprises listed in Hong Kong offers additional demand for quality commercial properties, thus providing strong support to its rental market. Shops market will continue to benefit from the booming retail industry, so rental is likely to remain stable. Since the three segments of the non-residential sector are supported by solid favorable factors, its medium to long term outlook will be promising despite the tough measures.

Increase in Manpower

To combat the difficulties last year, the Group reduced manpower by about 20% as a part of cost cutting plan. The cut in manpower last year laid down a good foundation for rebuilding the frontline operation to be a more professional team, strengthening our market position. However, in the anticipation of improvement in sales activity, the Group will carry out several training programmes to carry on to improve staff quality. Our business direction will be adjusted to capture more business opportunities. Staff is encouraged to focus markets beyond the industrial, commercial and shop market, and to involve in overseas properties and primary residential properties. This can help diversify the Group's source of income.

Letter from Chief Executive Officer

Under tough measures, the Group continues to monitor the change of the property market, with the aim of capturing business opportunities and strengthening our market position. A series of promotion activities were organised in 2013, such as “Entrepreneur Day 2013”, “A Parade of Industrial and Commercial Areas of Kowloon East”. Besides, the first guidebook, “Investment Strategies on the Industrial, Commercial and Retail Properties” was published in 2013. It offers insights and analysis on investment strategies and experiences for industrial, commercial and retail properties and car park market. Moreover, the Group has put a lot of resources on staff training and provided various supplementary courses to our frontline staff. For caring the elderly and the needy, our staff also took part in the volunteer activities organised by charitable organisations.

APPRECIATION

In 2013, the Group faced various difficulties and challenges. I would like to take this opportunity to express my sincere gratitude to our shareholders and customers for their continuous support, and to the management and all staff members for their hard work and dedication throughout the year.

WONG Hon Shing, Daniel
Chief Executive Officer

Hong Kong, 27 March 2014

Profile of Directors

EXECUTIVE DIRECTORS

Ms. TANG Mei Lai, Metty, aged 58, has been the Chairman and Executive Director of the Company since September 2008. She is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Ms. TANG has also been appointed as Managing Director of the Company since October 2008. She is responsible for the Group's overall strategic planning, business development as well as investment strategy and management.

Ms. TANG has been the executive director of Midland Holdings Limited ("Midland Holdings"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the controlling shareholder of the Company since December 2005. She acted as the deputy chairman of Midland Holdings from December 2005 to March 2011.

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 joined Midland Holdings and its subsidiaries ("Midland Group") in 2004. She is the spouse of Mr. WONG Kin Yip, Freddie, the chairman and non-executive director of Midland Holdings and is also the mother of Ms. WONG Ching Yi, Angela, the Executive Director of the Company and the deputy chairman, deputy managing director and executive director of Midland Holdings.

Ms. WONG Ching Yi, Angela, aged 33, has been an Executive Director of the Company since December 2011. During June 2007 to March 2008, she was the Executive Director of the Company.

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

Ms. WONG has been the executive director of Midland Holdings since March 2008 and has been the deputy chairman of Midland Holdings since March 2011 and deputy managing director of Midland Holdings since August 2011.

Ms. WONG is a director of various members of Midland Group, including mReferral Corporation Limited, a joint venture company of Midland Group with a leading developer. She is also a director and the vice president of Midland Charitable Foundation Limited.

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 Midland 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 Midland Holdings and Ms. TANG Mei Lai, Metty, the executive director of Midland Holdings and the Chairman, Managing Director and Executive Director of the Company.

Mr. WONG Hon Shing, Daniel, aged 50, has been appointed as the Executive Director and Chief Executive Officer of the Company since December 2011. He is also a member of the Remuneration Committee and Nomination Committee of the Company.

Mr. WONG is a certified financial planner of The Institute of Financial Planners of Hong Kong. He graduated from The Open University of Hong Kong with a bachelor's degree in Business Administration and also holds a master's degree in International Real Estate from The Hong Kong Polytechnic University.

Mr. WONG was the Sales Director of the Commercial Department of the Group and from May 2009 to December 2011, he acted as the Chief Operating Officer of the Group. He joined Midland Group in 1994 and joined the Group in 2006. He has over 24 years of experience in non-residential property agency business in Hong Kong.

Profile of Directors

NON-EXECUTIVE DIRECTOR

Mr. TSANG Link Carl, Brian, aged 50, has been the Non-executive Director of the Company since March 2005.

Mr. TSANG is a practising solicitor in Hong Kong and a partner of Lu, Lai & Li, the legal adviser of the Company and Midland Holdings. He graduated from King's College, London with an LLB Degree. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territory.

Mr. TSANG was the independent non-executive director of CITIC Resources Holdings Limited from August 2000 to April 2011, Walker Group Holdings Limited from May 2007 to February 2011 and Pacific Century Premium Developments Limited from October 2002 to June 2009, all listed on the main board of the Stock Exchange.

Mr. TSANG was also an adjudicator of the Registration of Persons Tribunal from June 2005 to June 2009, a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants from February 2006 to February 2010 and a member of the Appeal Panel (Housing) from July 2006 to April 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YING Wing Cheung, William, aged 63, has been the Independent Non-executive Director of the Company since May 2005. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. YING has over 39 years of experience in electronic products manufacturing business and is well versed in marketing and corporate strategic planning. He is currently the managing director of Way Mild Company Limited and a director of Yangzhou Jiangwei Electronics Technology Co. Ltd.

Mr. YING was a member of the Eighth, Ninth and Tenth Guangdong Provincial Committee of Chinese People's Political Consultative Conference from 1998 to 2013. He also serves in various social organisations. He is currently the president of Sze Yap Clansmen Association (New Territories, Hong Kong) Limited and a member of Jiangsu Province Chinese Overseas Friendship Association. Mr. YING was a member of the Eighth and Ninth Jiangmen Committee of Chinese People's Political Consultative Conference from 1993 to 2003.

Mr. SHA Pau, Eric, aged 56, has been the Independent Non-executive Director of the Company since March 2006. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. SHA is the founder and is currently the managing director of Konda Industries Limited, a special leather goods manufacturing and exporting firm. He has over 28 years of solid experience in international marketing field and specialises in corporate strategy formulation, overall management and marketing. Mr. SHA holds a bachelor's degree in arts from the University of Windsor, Ontario, Canada.

Mr. HO Kwan Tat, Ted, aged 49, has been the Independent Non-executive Director of the Company since December 2007. He is also the chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. HO is a practicing Certified Public Accountant in Hong Kong and is a partner of World Link CPA Limited. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has extensive experience in audit and taxation.

Mr. HO was the independent non-executive director of three companies listed on the main board of the Stock Exchange, namely, Suncorp Technologies Limited from March 2008 to May 2012, CIAM Group Limited from September 2004 to July 2008 and The Sun's Group Limited (now known as Loudong General Nice Resources (China) Holdings Limited) from May 2007 to April 2008.

ALTERNATE DIRECTOR

Mr. CHU Kuo Fai, Gordon, aged 48, has been the alternate director to Mr. TSANG Link Carl, Brian since February 2012. Mr. CHU is currently a practising solicitor in Hong Kong and is a partner of Lu, Lai & Li, the legal adviser of the Company and Midland Holdings. Mr. CHU graduated from King's College, London with an LLB Degree. He is also admitted to practise law in England and Wales, Australian Capital Territory, New York, Queensland and New South Wales.

Corporate Governance Report

The board of directors (the “Board”) of Midland IC&I 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 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.

(ii) Board Composition

The Board currently comprises seven Directors with three Executive Directors, one Non-executive Director (with his alternate) and three Independent Non-executive Directors. The composition of the Board is set out as follows:

Executive Directors

Ms. TANG Mei Lai, Metty (*Chairman and Managing Director*)

Ms. WONG Ching Yi, Angela

Mr. WONG Hon Shing, Daniel (*Chief Executive Officer*)

Non-executive Director

Mr. TSANG Link Carl, Brian (*with Mr. CHU Kuo Fai, Gordon as his alternate*)

Independent Non-executive Directors

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

(ii) Board Composition (Continued)

Save and except Ms. TANG Mei Lai, Metty is the mother 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 7 to 8 of this Annual Report.

Taking into account the knowledge, expertise and experience of the Directors, the Board considers that the Directors have balanced skills, experience and diversity of perspectives appropriate to the business and development of the Group.

(iii) Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are separated. Ms. TANG Mei Lai, Metty and Mr. WONG Hon Shing, Daniel are the Chairman and the Chief Executive Officer of the Company respectively. The Chairman of the Board is responsible for overseeing the overall corporate directions, strategic planning, business development and leading the management team of the Group. The Chief Executive Officer of the Company 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.

(iv) Board Meetings and Directors' Attendance

During the year ended 31 December 2013, the Board held four 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 14 of this Annual Report.

(v) Non-executive Directors

The term of office of Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate), the Non-executive Director, has been appointed for a specific term of one year. Mr. HO Kwan Tat, Ted and Mr. SHA Pau, Eric, both the Independent Non-executive Directors, have been appointed for a specific term of one and a half years whereas Mr. YING Wing Cheung, William, the Independent Non-executive Director, has been appointed for a specific term of two years. They are all 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 articles of association 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 of the Independent Non-executive Directors 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.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

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

In accordance with the Company's articles of association, 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.

(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
<i>Executive Directors</i>	
Ms. TANG Mei Lai, Metty	✓
Ms. WONG Ching Yi, Angela	✓
Mr. WONG Hon Shing, Daniel	✓
<i>Non-executive Director</i>	
Mr. TSANG Link Carl, Brian	✓
Mr. CHU Kuo Fai, Gordon (<i>alternate director to Mr. TSANG Link Carl, Brian</i>)	✓
<i>Independent Non-executive Directors</i>	
Mr. YING Wing Cheung, William	✓
Mr. SHA Pau, Eric	✓
Mr. HO Kwan Tat, Ted	✓

Corporate Governance Report

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 mainly operates as a general management committee with delegated authority from the Board. It has the authority delegated by the Board to approve matters relating to the daily operations and management and business affairs of the Group. The Board reserves the power to make broad policy decisions and approve important corporate actions. The Executive Committee comprises three members including Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel, all being the Executive Directors.

(ii) Audit Committee

The Audit Committee comprises three members and is chaired by Mr. HO Kwan Tat, Ted, with two other members namely Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, all being the Independent Non-executive Directors. Mr. HO Kwan Tat, Ted, is a practising certified public accountant with extensive experience and expertise in professional accounting, auditing and taxation.

The Audit Committee is mainly responsible for, inter alia, reviewing the Company's financial statements including the interim and annual results and reports, the effectiveness of the Company's financial control, internal control and risk management systems, and reviewing the Group's financial and accounting policies and practices. The Audit Committee makes recommendation to the Board on the selection and remuneration of the external auditor, and reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The written terms of reference of the Audit Committee setting out its roles and responsibilities are available on the websites of the Company and the Stock Exchange.

During the year, two Audit Committee meetings were held to review and approve the relevant issues mentioned above. Other members of the management and the external auditor of the Company were invited to attend and discuss at the Audit Committee meetings.

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 is chaired by Mr. HO Kwan Tat, Ted, being the Independent Non-executive Director, with four other members namely Ms. TANG Mei Lai, Metty, Mr. WONG Hon Shing, Daniel, Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, majority of whom being the Independent Non-executive Directors.

The Remuneration Committee is mainly responsible for, inter alia, reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Company and recommending the remuneration of the Non-executive Directors (including Independent Non-executive Directors) to the Board for approval. The written terms of reference of the Remuneration Committee setting out its roles and responsibilities are available on the websites of the Company and the Stock Exchange.

Corporate Governance Report

BOARD COMMITTEES (Continued)

(iii) Remuneration Committee (Continued)

The work of the Remuneration Committee during the year included reviewing the remuneration policy of the Group and recommending the remuneration of the relevant Non-executive Director(s) to the Board for approval. No Director or senior management was involved in the determination of his/her own remuneration package. During the year, three Remuneration Committee meetings were held.

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\$1,000,000	1
HK\$1,000,001 – HK\$2,000,000	0
HK\$2,000,001 – HK\$3,000,000	0
HK\$3,000,001 – HK\$4,000,000	1
HK\$4,000,001 – HK\$5,000,000	1

Details of Directors' emoluments and five highest paid individuals during the year are set out in note 9 to the financial statements on pages 53 to 55 of this Annual Report.

(iv) Nomination Committee

The Nomination Committee is chaired by Ms. TANG Mei Lai, Metty, with four other members namely Mr. WONG Hon Shing, Daniel, Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted, majority of whom being the Independent Non-executive Directors.

The Nomination Committee is mainly responsible for, inter alia, formulating and reviewing the nomination policy, making recommendations to the Board on the nomination, appointment and re-appointment of Directors and Board succession, and assessing the independence of the Independent Non-executive Directors. The written terms of reference of the Nomination Committee setting out its roles and responsibilities are available on the websites of the Company and the Stock Exchange.

The work of the Nomination Committee during the year included reviewing and making recommendation to the Board on the Board composition, assessing the independence of the Independent Non-executive Directors and reviewing the retirement and rotation plan of the Directors. During the year, three Nomination Committee meetings were held.

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 below:

Directors	No. of Meetings Attended/Held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General
<i>Executive Directors</i>					
Ms. TANG Mei Lai, Metty <i>(Chairman and Managing Director)</i>	4/4	N/A	3/3	3/3	1/1
Ms. WONG Ching Yi, Angela	4/4	N/A	N/A	N/A	1/1
Mr. WONG Hon Shing, Daniel <i>(Chief Executive Officer)</i>	4/4	N/A	3/3	3/3	1/1
<i>Non-executive Director</i>					
Mr. TSANG Link Carl, Brian	4/4	N/A	N/A	N/A	0/1
Mr. CHU Kuo Fai, Gordon <i>(alternate director to Mr. TSANG Link Carl, Brian)</i>	0/4	N/A	N/A	N/A	1/1
<i>Independent Non-executive Directors</i>					
Mr. YING Wing Cheung, William	4/4	2/2	3/3	3/3	1/1
Mr. SHA Pau, Eric	4/4	2/2	3/3	3/3	1/1
Mr. HO Kwan Tat, Ted	4/4	2/2	3/3	3/3	1/1

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 the shares, underlying shares and debentures of the Company and the associated corporation are set out in the Report of the Directors on pages 19 to 20 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 independent auditor of the Company on the 2013 financial statements of the Group are set out in the "Independent Auditor's Report" on pages 29 to 30 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.

Corporate Governance Report

AUDITOR'S REMUNERATION

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 for the year ended 31 December 2013 amounted to approximately HK\$725,000 (2012: HK\$844,000) and HK\$434,000 (2012: HK\$389,000) respectively. The non-audit services mainly include interim results review, taxation and other professional services.

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 of 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 the applicable laws and regulations.

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

The Company provides an opportunity for its shareholders to seek clarification and to obtain a better understanding of the Group's performance in 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 Chairmen of the relevant Board committees and/or their duly appointed delegates and/or Board committee members are available to attend the annual general meeting to interact with, and answer questions from the shareholders. The external auditor is also required to be present at the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, the accounting policies and auditor's independence.

To foster effective communications with shareholders and investors, the Company maintains a website at www.midlandici.com.hk where the Company's announcements, circulars, notices, financial reports, business developments, corporate governance practices, latest memorandum and articles of association of the Company and other information are regularly posted in due course.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (Continued)

The 2013 annual general meeting of the Company was held on 10 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 and articles of association of the Company.

SHAREHOLDERS' RIGHTS

(i) Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM")

The Board shall, at all times, on the requisition in writing to the Board or the Company Secretary of the Company by the shareholder(s) holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)"), forthwith proceed to convene an EGM in accordance with the articles of association of the Company.

If within twenty-one days of the deposit of such requisition the Board fails to proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may do so in accordance with the articles of association of the Company, and all reasonable expenses incurred by the requisitionist(s) concerned as a result of the failure of the Board shall be reimbursed to the requisitionist(s) concerned by the Company.

(ii) Procedures for Putting Forward Proposals at EGM

Eligible Shareholders who wish to require an EGM to be called by the Board for the purpose of making proposals at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal office of the Company in Hong Kong at Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong for the attention of "Manager, Company Secretarial Department".

The Requisition must state clearly the name(s) of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, and signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Board will convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

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 Tengis Limited. Shareholders and the investment community may during office hours make a request for the Company's information to the extent that such information is publicly available. Shareholders may also send their enquiries and concerns to the Board by addressing them to the Investor Relations Department by post at Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong or by email at investor@midlandici.com.hk.

Report of the Directors

The directors of Midland IC&I Limited (the “Company”) are pleased to 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 34 to the financial statements.

Details of the analysis of the Group’s performance for the year ended 31 December 2013 by operating segment are set out in note 6 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 statement of comprehensive income on page 31 of this Annual Report.

The board of directors (the “Board”) does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2013 are set out in note 26 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK\$289,316 (2012: HK\$511,830).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2013 are set out in note 16 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the year are set out in note 17 to the financial statements. Details of the properties held for investment purposes are set out on page 73 of this Annual Report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s articles of association and there are no restrictions against such rights under the applicable laws of the Cayman Islands.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the reserves of the Company available for distribution to shareholders comprised the share premium, contributed surplus and retained earnings which in aggregate amounted to HK\$1,072,026,000 (2012: HK\$472,792,000). Under the Companies Law of the Cayman Islands, the share premium of the Company may be applied for paying distributions or dividends to shareholders subject to the provisions of the Company’s articles of association and provided that immediately following the payment of distributions or dividends, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

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 74 of this Annual Report.

Report of the Directors

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 ended 31 December 2013.

BOARD OF DIRECTORS

The directors of the Company (the "Directors") who held office during the year ended 31 December 2013 and up to the date of this Annual Report are:

Executive Directors

Ms. TANG Mei Lai, Metty (*Chairman and Managing Director*)

Ms. WONG Ching Yi, Angela

Mr. WONG Hon Shing, Daniel (*Chief Executive Officer*)

Non-executive Director

Mr. TSANG Link Carl, Brian (*with Mr. CHU Kuo Fai, Gordon as his alternate*)

Independent Non-executive Directors

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

According to Article 87 of the articles of association of the Company, Ms. WONG Ching Yi, Angela, Mr. WONG Hon Shing, Daniel and Mr. SHA Pau, Eric shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN 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.

Report of the Directors

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 (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 of Hong Kong Limited (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) Personal interests in long positions in the shares and underlying shares of the Company

Name of Director	Number of shares	Number of underlying shares	Total	Approximate percentage of issued share capital of the Company
Mr. WONG Hon Shing, Daniel	20,000,000	–	20,000,000	0.15%
Mr. TSANG Link Carl, Brian	–	5,000,000 <i>(Note 1)</i>	5,000,000	0.04%
Mr. YING Wing Cheung, William	–	5,000,000 <i>(Note 2)</i>	5,000,000	0.04%
Mr. SHA Pau, Eric	–	5,000,000 <i>(Note 3)</i>	5,000,000	0.04%
Mr. HO Kwan Tat, Ted	–	5,000,000 <i>(Note 4)</i>	5,000,000	0.04%

Notes:

1. These underlying shares are held by Mr. TSANG Link Carl, Brian as beneficial owner by virtue of the interests in the share options of the Company granted to him.
2. These underlying shares are held by Mr. YING Wing Cheung, William as beneficial owner by virtue of the interests in the share options of the Company granted to him.
3. These underlying shares are held by Mr. SHA Pau, Eric as beneficial owner by virtue of the interests in the share options of the Company granted to him.
4. These underlying shares are held by Mr. HO Kwan Tat, Ted as beneficial owner by virtue of the interests in the share options of the Company granted to him.
5. Details of the share options granted to the above Directors are set out in the section headed "SHARE OPTION SCHEME".

Report of the 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	Nature of interest/ Capacity	Number of shares	Number of underlying shares	Total	Approximate percentage of issued share capital of Midland Holdings
Midland Holdings Limited ("Midland Holdings")	Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	95,270,144 <i>(Note 6)</i>	7,209,160 <i>(Note 7)</i>	102,479,304	14.27%
		Personal interest/ Beneficial owner	-	7,209,160 <i>(Note 8)</i>	7,209,160	1.00%
Midland Holdings	Ms. WONG Ching Yi, Angela	Personal interest/ Beneficial owner	-	7,209,160 <i>(Note 9)</i>	7,209,160	1.00%

Notes:

6. These shares represent the shares held by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), directly or indirectly, the spouse of Ms. TANG Mei Lai, Metty ("Ms. TANG"), as beneficial owner in the shares of Midland Holdings, the associated corporation of the Company.
7. These underlying shares represent the interests in the share options of Midland Holdings held by Mr. WONG, the spouse of Ms. TANG, as beneficial owner, by virtue of the interests in the share options of Midland Holdings granted to him.
8. These underlying shares are held by Ms. TANG by virtue of the interests in the share options of Midland Holdings granted to her.
9. These underlying shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options of Midland Holdings granted to her.

Saved 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.

Report of the Directors

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:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Number of shares	Holding capacity/ Nature of interests	Approximate percentage of issued share capital of the Company
Midland Holdings	9,700,000,000 <i>(Note)</i>	Interest in controlled corporation/ Corporate interest	70.80%
Valuewit Assets Limited ("Valuewit")	9,700,000,000 <i>(Note)</i>	Beneficial owner/ Beneficial interest	70.80%

Note: Valuewit is an indirect wholly-owned subsidiary of Midland Holdings. Midland Holdings is deemed to be interested in these 9,700,000,000 shares held by Valuewit under the SFO.

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.

SHARE OPTION SCHEME

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

The major terms of the Share Option Scheme are summarised as follows:

(a) Purposes of the Share Option Scheme

The principal purposes of the Share Option Scheme are to enable the Group and its invested entities to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group or invested entities, to recognise the contributions of the eligible persons to the growth of the Group or invested entities by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and to give incentives to these eligible persons to continue to contribute to the long term success and prosperity of the Group or invested entities.

(b) Participants of the Share Option Scheme

The Board may invite any eligible person as the 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 Group or invested entity, to take up the options under the Share Option Scheme.

(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 20,000,000, representing approximately 0.15% of the issued share capital of the Company. The total number of shares 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 the Company as at the date of this Annual Report.

Report of the Directors

SHARE OPTION SCHEME (Continued)

(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 separate approval by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland Holdings, the shareholders of Midland Holdings 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.

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

The maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme(s) of the Company to each eligible person who is an Independent Non-executive Director or a substantial shareholder of the Company, in any 12-month period shall not exceed 0.1% of the total number of shares of the Company in issue and an 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 and, for so long as the Company remains a subsidiary of Midland Holdings, the shareholders of Midland Holdings 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 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 ten business 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 but shall not be 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 offer date;
- (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 offer date; and
- (iii) the nominal value of a share of the Company.

Report of the Directors

SHARE OPTION SCHEME (Continued)

(i) Remaining life of the Share Option Scheme

The 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 Share Option Scheme during the year were as follows:

Name of Director	Date of grant	Exercise price per share (HK\$)	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	Exercisable period
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			20,000,000	-	-	-	20,000,000	

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.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was 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.

Report of the Directors

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as “Related Parties” under applicable accounting principles. The significant related party transactions entered into by the Group during the year set out in note 33 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.

1. A cross referral services agreement (the “Cross Referral Services Agreement”) was made on 31 October 2012 between the Company and Midland Holdings, the holding company of the Company, in relation to referral services provided between the relevant members of Midland Holdings and its subsidiaries (“Midland Group”) and of the Group, whereby Midland Group may refer estate agency business in respect of industrial and commercial properties and shops in Hong Kong, Macau and the People’s Republic of China (the “PRC”) to the relevant members of the Group from time to time, and the Group may refer estate agency business in respect of residential properties in Hong Kong, Macau and the PRC to the relevant members of Midland Group from time to time (the “Transactions”). The Transactions had been conducted on a case-by-case basis and on normal commercial terms. The Transactions contemplated thereunder and the relevant annual caps were approved by the independent shareholders of the Company at the extraordinary general meeting held on 13 December 2012.

Under the Cross Referral Services Agreement, the annual caps for the referral fees payable by the Group to Midland Group for the year ended 31 December 2013 and the two years ending 31 December 2014 and 2015 had been fixed at HK\$84 million, HK\$89 million and HK\$94 million respectively, while the annual caps for the referral fees payable by Midland Group to the Group for the year ended 31 December 2013 and the two years ending 31 December 2014 and 2015 had been fixed at HK\$40 million, HK\$45 million and HK\$50 million respectively. The aggregate annual values for the referral fees payable by the Group to Midland Group are HK\$63.5 million and for the referral fees payable by Midland Group to the Group are HK\$39.2 million, which have not exceeded the maximum aggregate annual values for the year ended 31 December 2013 (details relating to the Cross Referral Services Agreement and the annual caps were set out in the announcement and circular of the Company dated 31 October 2012 and 21 November 2012 respectively).

2. A tenancy agreement was made on 30 April 2012 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company wholly-owned by an associate of Ms. TANG, the Chairman, Managing Director and Executive Director of the Company, as landlord whereby the landlord agreed to lease the premises located at Nos.11-16 on 7/F, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon, Hong Kong as an office for the real estate agency business 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 (details of which were disclosed in the announcement of the Company dated 30 April 2012).
3. A tenancy agreement was made on 19 March 2012 between Teamway Group Limited, an indirect wholly-owned subsidiary of the Company, as landlord and City First Limited, an indirect wholly-owned subsidiary of Midland Holdings, as tenant whereby the landlord agreed to lease the premises located at the whole of 21st Floor, Ford Glory Plaza, No. 37 Wing Hong Street, Kowloon, Hong Kong as a back office of Midland Holdings for generating secured steady income to the Group for a term of two years commencing from 19 March 2012 to 18 March 2014 at a monthly rental of HK\$150,000 without rent-free period and option to renew (details of which were disclosed in the announcements of the Company dated 19 March 2012 and 19 March 2009).

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (Continued)

Pursuant to Rule 14A.37 of the Listing Rules, the aforesaid continuing connected transactions (“Continuing Connected Transactions”) have been reviewed by the Independent Non-executive Directors who have confirmed that the 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 page 24 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.

RETIREMENT SCHEME

Details of the Group’s retirement scheme are set out in note 8 to the financial statements.

PRINCIPAL SUBSIDIARIES

Details of the Company’s principal subsidiaries as at 31 December 2013 are set out in note 34 to the financial statements.

BANK LOAN

An analysis of bank loan of the Group as at 31 December 2013 is set out in note 28 to the financial statements. Apart from the aforesaid, the Group has no other borrowings as at 31 December 2013.

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. The Company has a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in the section headed “SHARE OPTION SCHEME”.

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.

Report of the Directors

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 IC&I Limited
WONG Hon Shing, Daniel
Chief Executive Officer and Executive Director

Hong Kong, 27 March 2014

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding

As at 31 December 2013, the Group had cash and bank balances of HK\$572,220,000 (2012: HK\$488,051,000), whilst bank loan amounted to HK\$10,030,000 (2012: HK\$10,926,000). The Group's bank loan was secured by investment properties held by the Group of HK\$57,400,000 (2012: HK\$52,670,000) with maturity profile set out as follows:

	2013 HK\$'000	2012 HK\$'000
Repayable		
Within 1 year	913	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
	10,030	10,926

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

As at 31 December 2013, the Group had unutilised banking facilities amounting to HK\$15,500,000 (2012: HK\$15,500,000) from a bank. The Group's cash and bank balances are deposited in Hong Kong Dollars and the Group's bank loan is in Hong Kong Dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2013, the gearing ratio of the Group was 1.5% (2012: 1.7%). The gearing ratio is calculated on the basis of the Group's total bank loans over total equity of the Group. 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 4.6 (2012: 2.5).

The Directors are of the view that there are sufficient financial resources to satisfy the Group's capital commitments and on-going working capital requirements.

Capital Structure and Foreign Exchange Exposure

During the year, there was no material change in the Company's capital structure. The Group generally finances its operations and investing activities with equity holders' funds.

The Group's income and monetary assets and liabilities are denominated in Hong Kong Dollars. The Directors considered that the foreign exchange exposure of the Group is minimal.

Contingent Liabilities

Details of contingent liabilities of the Company and the Group at the end of the year are set out in note 30 to the financial statements.

Management Discussion and Analysis

Employee Information

As at 31 December 2013, the Group employed 746 full-time employees (2012: 853).

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



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIDLAND IC&I LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Midland IC&I Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 31 to 72, which comprise the consolidated and company balance sheets as at 31 December 2013, and 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, 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.

Independent Auditor's Report

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 profit 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, 27 March 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Revenues	6(a)	562,505	814,368
Other income	7	7,558	12,486
Staff costs	8	(295,616)	(423,974)
Rebate incentives		(101,273)	(82,680)
Advertising and promotion expenses		(18,781)	(18,172)
Operating lease charges in respect of office and shop premises		(34,156)	(20,382)
Impairment of receivables		(40,933)	(41,968)
Depreciation and amortisation costs		(7,035)	(4,028)
Other operating costs		(42,746)	(33,717)
Operating profit	10	29,523	201,933
Finance income	11	3,332	5,230
Finance costs	11	(196)	(297)
Profit before taxation		32,659	206,866
Taxation	12	(7,755)	(31,044)
Profit for the year attributable to equity holders		24,904	175,822
Other comprehensive income			
<i>Item that is reclassified to profit or loss</i>			
Release of currency translation differences arising from disposal of subsidiaries		11	-
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		17	(18)
Total comprehensive income for the year attributable to equity holders		24,932	175,804
		HK cents	HK cents
Earnings per share	15		
Basic		0.182	1.283
Diluted		0.182	1.283

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	12,177	9,175
Investment properties	17	57,400	52,670
Deferred taxation assets	22	2,064	5,371
		71,641	67,216
Current assets			
Trade and other receivables	23	185,939	462,867
Financial assets at fair value through profit or loss	20	–	155
Tax recoverable		1,496	–
Cash and bank balances	24	572,220	488,051
		759,655	951,073
Total assets		831,296	1,018,289
EQUITY AND LIABILITIES			
Equity holders			
Share capital	25	137,000	137,000
Share premium	25	549,168	549,168
Reserves	26	(19,714)	(44,646)
		666,454	641,522
Total equity		666,454	641,522

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Non-current liabilities			
Deferred taxation liabilities	22	473	486
Current liabilities			
Trade and other payables	27	151,788	346,237
Bank loan	28	10,030	10,926
Taxation payable		2,551	19,118
		164,369	376,281
Total liabilities		164,842	376,767
Total equity and liabilities		831,296	1,018,289
Net current assets		595,286	574,792
Total assets less current liabilities		666,927	642,008

TANG Mei Lai, Metty
Director

WONG Hon Shing, Daniel
Director

Balance Sheet

As at 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
ASSETS			
Non-current assets			
Subsidiaries	19	640,000	642,609
Current assets			
Amounts due from subsidiaries	21	615,803	12,686
Other receivables, prepayment and deposits	23	1,008	1,056
Bank balances	24	30	66
		616,841	13,808
Total assets		1,256,841	656,417
EQUITY AND LIABILITIES			
Equity holders			
Share capital	25	137,000	137,000
Share premium	25	549,168	549,168
Reserves	26	523,420	(75,814)
Total equity		1,209,588	610,354
Current liabilities			
Amounts due to subsidiaries	21	45,797	45,199
Other payables and accruals	27	1,456	864
		47,253	46,063
Total liabilities		47,253	46,063
Total equity and liabilities		1,256,841	656,417
Net current assets/(liabilities)		569,588	(32,255)
Total assets less current liabilities		1,209,588	610,354

TANG Mei Lai, Metty
Director

WONG Hon Shing, Daniel
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	Total equity HK\$'000
At 1 January 2013	137,000	549,168	(44,646)	641,522
Comprehensive income				
Profit for the year	-	-	24,904	24,904
Other comprehensive income				
Release of currency translation differences arising from disposal of subsidiaries	-	-	11	11
Currency translation differences	-	-	17	17
Total comprehensive income	-	-	24,932	24,932
At 31 December 2013	137,000	549,168	(19,714)	666,454
At 1 January 2012	83,000	85,816	296,902	465,718
Conversion of convertible notes	54,000	463,352	(517,352)	-
	137,000	549,168	(220,450)	465,718
Comprehensive income				
Profit for the year	-	-	175,822	175,822
Other comprehensive income				
Currency translation differences	-	-	(18)	(18)
Total comprehensive income	-	-	175,804	175,804
At 31 December 2012	137,000	549,168	(44,646)	641,522

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 generated from operations	29(a)	116,904	101,497
Hong Kong profits tax paid		(22,560)	(13,773)
Interest paid		(196)	(224)
Net cash from operating activities		94,148	87,500
Cash flows from investing activities			
Net cash outflow from disposal of subsidiaries	29(b)	(1,506)	-
Purchase of property, plant and equipment	16	(10,909)	(7,918)
Bank interest received		3,332	5,230
Net cash used in investing activities		(9,083)	(2,688)
Cash flows from financing activities			
Interest paid on convertible notes		-	(2,700)
Repayment of bank loan		(896)	(874)
Net cash used in financing activities		(896)	(3,574)
Net increase in cash and cash equivalents		84,169	81,238
Cash and cash equivalents at 1 January		488,051	406,813
Cash and cash equivalents at 31 December	24	572,220	488,051

Notes to the Financial Statements

1 GENERAL INFORMATION

Midland IC&I Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal office in Hong Kong is Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong.

The ultimate holding company is Midland Holdings Limited (“Midland Holdings”), a company incorporated in Bermuda and listed in Hong Kong.

The financial statements have been approved by the board of directors (the “Board”) on 27 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 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.

Notes to the Financial Statements

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) Subsidiaries

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

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.

Inter-company transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised loss 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.

Notes to the Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (Continued)

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.

(b) Segment reporting

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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 statement of comprehensive income, 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 statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

Notes to the Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income 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 statement of comprehensive income as part of the gain or loss on sale.

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

(d) Property, 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 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 in the statement of comprehensive income 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 all other property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease term
Furniture and fixtures	4 years
Office equipment	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 statement of comprehensive income.

Notes to the Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment properties

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

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

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

(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.

Notes to the Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (Continued)

(iii) 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.

(g) Impairment of investments in subsidiaries 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 is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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 at fair value through profit or loss and loans and receivables. 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.

Notes to the Financial Statements

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 statement of comprehensive income. 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. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gain or loss arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income 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 statement of comprehensive income 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. Impairment recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

(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 debtors. 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 statement of comprehensive income within other operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the statement of comprehensive income.

(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.

Notes to the Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income 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) Borrowings 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 statement of comprehensive income 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 of the Company 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, 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.

Notes to the Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Taxation (Continued)

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

(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 statement of comprehensive income 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 statement of comprehensive income, 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.

(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.

Notes to the Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue recognition (Continued)

Agency fee from property agency business is recognised when 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.

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 statement of comprehensive income 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.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities primarily expose it to credit 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 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 receivable by taking into account of the market conditions, customers' profiles and completion terms to ensure that adequate impairment is made for the irrecoverable amounts.

Notes to the Financial Statements

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

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) Cash flow and fair value interest rate risk

The Group has no significant interest bearing assets other than bank deposits at variable rates. The Group also has variable-rate bank borrowings.

At the balance sheet date, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Group's profit before taxation would have been approximately HK\$1,047,000 (2012: HK\$958,000) higher/lower for the year ended 31 December 2013.

(iii) Liquidity risk

The Group aims to finance its operations with its own capital and earnings and did not have any significant borrowings or credit facilities utilised during the year. The Group maintains its own treasury function to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations.

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

	On demand HK\$'000	Less than 1 year HK\$'000
At 31 December 2013		
Trade and other payables	–	151,788
Bank loan	11,010	–
	<u>11,010</u>	<u>151,788</u>
At 31 December 2012		
Trade and other payables	–	346,237
Bank loan	12,144	–
	<u>12,144</u>	<u>346,237</u>

Notes to the Financial Statements

4 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to finance its operations with its owned capital and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders.

The capital structure of the Group consists of equity attributable to the equity holders and bank borrowing. In order to maintain or adjust the capital structure, the Group will consider macro-economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through bank borrowing as necessary.

The Group monitors capital on the basis of the total debt to equity ratio. This ratio is calculated as total borrowing divided by total equity.

The total debt to equity ratios at 31 December 2013 and 2012 were as follows:

	2013 HK\$'000	2012 HK\$'000
Bank loan	10,030	10,926
Total equity	666,454	641,522
Total debt to equity ratio	1.5%	1.7%

(c) Fair value estimation

The carrying amounts of the financial assets of the Group, including cash and cash equivalents, deposits with approved financial institutions, trade and other receivables and financial liabilities including trade and other payable approximate their fair values due to their short-term maturities.

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Revenue recognition

Management reviews 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 these transactions whose economic benefits are not probable to flow into Group would not be recognised in the statement of comprehensive income until relevant transactions are completed or until the uncertainty is removed.

Notes to the Financial Statements

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) 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.

(c) Fair value of investment properties

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

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

	2013 HK\$'000	2012 HK\$'000
Turnover		
Agency fee	549,139	795,291
Internet education and related services	11,479	17,332
	560,618	812,623
Other revenues		
Rental income from a fellow subsidiary	1,825	1,707
Rental income from third party	42	38
Others	20	-
Total revenues	562,505	814,368

(b) 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 business principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, and other business which mainly includes the provision of internet education and related services.

Notes to the Financial Statements

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2013				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Total revenues	242,914	88,009	252,332	11,498	594,753
Inter-segment revenues	(20,447)	(3,709)	(9,960)	(19)	(34,135)
Revenues from external customers	222,467	84,300	242,372	11,479	560,618
Segment results	28,265	(3,991)	18,202	568	43,044
Impairment of receivables	12,926	10,214	17,131	662	40,933
Depreciation and amortisation costs	2,274	2,080	1,963	494	6,811
Additions to non-current assets	3,883	3,843	2,700	323	10,749
Gain on disposal of subsidiaries	-	-	-	2,205	2,205

	Year ended 31 December 2012				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Total revenues	312,302	156,993	359,825	17,451	846,571
Inter-segment revenues	(18,558)	(7,562)	(7,709)	(119)	(33,948)
Revenues from external customers	293,744	149,431	352,116	17,332	812,623
Segment results	81,542	34,630	95,252	(3,984)	207,440
Impairment/(recoverable) of receivables	16,157	9,038	16,808	(35)	41,968
Depreciation and amortisation costs	699	1,210	919	793	3,621
Additions to non-current assets	2,809	733	3,411	505	7,458

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, fair value gain on investment properties, finance income, finance costs and taxation are not included in the segment results.

Notes to the Financial Statements

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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 statement of comprehensive income.

Reportable revenues from external customers are reconciled to total revenues as follows:

	2013 HK\$'000	2012 HK\$'000
Revenues from external customers for reportable segments	560,618	812,623
Rental income from a fellow subsidiary	1,825	1,707
Rental income from third party	42	38
Others	20	-
Total revenues per consolidated statement of comprehensive income	562,505	814,368

A reconciliation of segment results to profit before taxation is provided as follows:

	2013 HK\$'000	2012 HK\$'000
Segment results for reportable segments	43,044	207,440
Corporate expenses	(18,251)	(17,537)
Fair value gain on investment properties	4,730	12,030
Finance income	3,332	5,230
Finance costs	(196)	(297)
Profit before taxation per consolidated statement of comprehensive income	32,659	206,866

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

As at 31 December 2013

	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	
Segment assets	88,962	149,298	90,457	61	328,778
Segment liabilities	53,062	22,639	64,002	-	139,703

Notes to the Financial Statements

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

As at 31 December 2012	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	
	Segment assets	154,856	121,522	251,687	
Segment liabilities	94,187	61,640	165,346	9,521	330,694

Reportable segment assets are reconciled to total assets as follows:

	2013 HK\$'000	2012 HK\$'000
Segment assets	328,778	543,704
Corporate assets	500,454	469,059
Deferred taxation assets	2,064	5,371
Financial assets at fair value through profit or loss	-	155
Total assets per consolidated balance sheet	831,296	1,018,289

Reportable segment liabilities are reconciled to total liabilities as follows:

	2013 HK\$'000	2012 HK\$'000
Segment liabilities	139,703	330,694
Corporate liabilities	24,666	45,587
Deferred taxation liabilities	473	486
Total liabilities per consolidated balance sheet	164,842	376,767

7 OTHER INCOME

	2013 HK\$'000	2012 HK\$'000
Fair value gain on investment properties (note 17)	4,730	12,030
Gain on disposal of subsidiaries	2,205	-
Others	623	456
Total	7,558	12,486

Notes to the Financial Statements

8 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2013 HK\$'000	2012 HK\$'000
Salaries and allowances	118,817	96,974
Commissions	169,157	321,494
Pension costs for defined contribution plans	7,642	5,506
	295,616	423,974

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

9 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	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<i>Executive Directors</i>						
Ms. TANG Mei Lai, Metty	-	3,048	-	-	15	3,063
Ms. WONG Ching Yi, Angela	30	-	-	-	2	32
Mr. WONG Hon Shing, Daniel	-	1,673	2,400	-	15	4,088
	30	4,721	2,400	-	32	7,183
<i>Non-executive Director</i>						
Mr. TSANG Link Carl, Brian	120	-	-	-	-	120
Mr. CHU Kuo Fai, Gordon (alternate director to Mr. TSANG Link Carl, Brian)	-	-	-	-	-	-
	120	-	-	-	-	120
<i>Independent Non-executive Directors</i>						
Mr. SHA Pau, Eric	120	-	-	-	-	120
Mr. YING Wing Cheung, William	120	-	-	-	-	120
Mr. HO Kwan Tat, Ted	120	-	-	-	-	120
	360	-	-	-	-	360
	510	4,721	2,400	-	32	7,663

Notes to the Financial Statements

9 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
<i>Executive Directors</i>						
Ms. TANG Mei Lai, Metty	-	3,012	-	973	14	3,999
Mr. WONG Tsz Wa, Pierre (resigned on 23 November 2012)	27	-	-	-	13	40
Ms. WONG Ching Yi, Angela	30	-	-	-	2	32
Mr. WONG Hon Shing, Daniel	-	1,456	14,715	-	14	16,185
	57	4,468	14,715	973	43	20,256
<i>Non-executive Director</i>						
Mr. TSANG Link Carl, Brian	120	-	-	-	-	120
Mr. CHU Kuo Fai, Gordon (alternate director to Mr. TSANG Link Carl, Brian, appointed on 29 February 2012)	-	-	-	-	-	-
	120	-	-	-	-	120
<i>Independent Non-executive Directors</i>						
Mr. SHA Pau, Eric	120	-	-	-	-	120
Mr. YING Wing Cheung, William	120	-	-	-	-	120
Mr. HO Kwan Tat, Ted	120	-	-	-	-	120
	360	-	-	-	-	360
	537	4,468	14,715	973	43	20,736

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).

Notes to the Financial Statements

9 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include two (2012: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2012: three) individuals during the year are as follows:

	2013 HK\$'000	2012 HK\$'000
Basic salaries and allowances	2,130	1,414
Discretionary bonuses	1,032	3,568
Retirement benefit costs	40	36
	3,202	5,018

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
HK\$0 – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$2,500,001 – HK\$3,000,000	–	1

10 OPERATING PROFIT

Operating profit is arrived at after charging:

	2013 HK\$'000	2012 HK\$'000
Loss on disposal of property, plant and equipment	208	282
Auditor's remuneration		
– Audit services	725	844
– Non-audit services	434	389
Financial assets at fair value through profit or loss		
– Fair value loss	12	–
– Fair value gain	–	(25)

Notes to the Financial Statements

11 FINANCE INCOME AND COSTS

	2013 HK\$'000	2012 HK\$'000
Finance income		
Bank interest income	3,332	5,230
Finance costs		
Finance cost of convertible notes wholly repayable within five years	–	(73)
Interest on borrowings not wholly repayable within five years (note)	(196)	(224)
	(196)	(297)
Finance income, net	3,136	4,933

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

12 TAXATION

	2013 HK\$'000	2012 HK\$'000
Current		
Hong Kong profits tax	4,497	34,467
Deferred (note 22)	3,258	(3,423)
	7,755	31,044

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year.

The tax on the Group's 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
Profit before taxation	32,659	206,866
Calculated at a taxation rate of 16.5% (2012: 16.5%)	5,389	34,133
Income not subject to taxation	(1,694)	(2,848)
Expenses not deductible for taxation purposes	5	–
Utilisation of previously unrecognised tax losses	–	(780)
Tax losses not recognised	4,021	660
Others	34	(121)
Taxation charge	7,755	31,044

Notes to the Financial Statements

13 PROFIT/(LOSS) 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\$599,234,000 (2012: loss of HK\$14,863,000).

14 DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2013 (2012: Nil).

15 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	2013 HK\$'000	2012 HK\$'000
Profit attributable to equity holders	24,904	175,822
Number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000
Effect on conversion of share option (thousands)	-	-
Number of shares for calculation of diluted earnings per share (thousands)	13,700,000	13,700,000
Basic earnings per share (HK cents)	0.182	1.283
Diluted earnings per share (HK cents)	0.182	1.283

Basic earnings per share is calculated by adjusting the weighted average number of shares to take effect of the convertible notes since the convertible notes are mandatory convertible. The convertible notes are assumed to have been converted into shares from the date of the issuance of the convertible notes. On 6 June 2012, the convertible notes have been converted into shares.

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted earnings per share for the year ended 31 December 2013 and 2012 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

Notes to the Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 January 2013				
Cost	10,448	1,935	16,297	28,680
Accumulated depreciation and amortisation costs	(7,219)	(1,210)	(11,076)	(19,505)
Net book amount	3,229	725	5,221	9,175
Year ended 31 December 2013				
Opening net book amount	3,229	725	5,221	9,175
Additions	6,095	573	4,241	10,909
Disposals	(84)	(52)	(72)	(208)
Disposal of subsidiaries (note 29 (b))	(43)	(10)	(611)	(664)
Depreciation and amortisation costs	(4,086)	(327)	(2,622)	(7,035)
Closing net book amount	5,111	909	6,157	12,177
At 31 December 2013				
Cost	12,744	2,341	18,404	33,489
Accumulated depreciation and amortisation costs	(7,633)	(1,432)	(12,247)	(21,312)
Net book amount	5,111	909	6,157	12,177
At 1 January 2012				
Cost	7,458	1,311	12,886	21,655
Accumulated depreciation and amortisation costs	(5,544)	(1,037)	(9,507)	(16,088)
Net book amount	1,914	274	3,379	5,567
Year ended 31 December 2012				
Opening net book amount	1,914	274	3,379	5,567
Additions	3,649	624	3,645	7,918
Disposals	(282)	–	–	(282)
Depreciation and amortisation costs	(2,052)	(173)	(1,803)	(4,028)
Closing net book amount	3,229	725	5,221	9,175
At 31 December 2012				
Cost	10,448	1,935	16,297	28,680
Accumulated depreciation and amortisation costs	(7,219)	(1,210)	(11,076)	(19,505)
Net book amount	3,229	725	5,221	9,175

Notes to the Financial Statements

17 INVESTMENT PROPERTIES

	Group	
	2013 HK\$'000	2012 HK\$'000
Opening net book amount	52,670	40,640
Change in fair value to the statement of comprehensive income (note 7)	4,730	12,030
Closing net book amount	57,400	52,670

The fair value gain on investment properties is included in "Other income" in the consolidated statement of comprehensive income (note 7).

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 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.

Information about fair value measurements using significant unobservable inputs for the investment properties in Hong Kong:

Valuation method	Range of significant unobservable inputs	
	Prevailing market rent per month	Capitalisation rate
Income capitalisation	HK\$22 per square foot (saleable)	3.6%

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.

Notes to the Financial Statements

17 INVESTMENT PROPERTIES (Continued)

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

	Group	
	2013 HK\$'000	2012 HK\$'000
In Hong Kong Leases of between 10 to 50 years	57,400	52,670

Investment properties are pledged as security for the Group's bank loan (note 28).

18 INTANGIBLE ASSETS

Group

	Goodwill HK\$'000	Website development cost HK\$'000	Licensing rights HK\$'000	Total HK\$'000
At 1 January 2012 and 31 December 2012				
Cost	4,325	6,534	6,318	17,177
Accumulated amortisation and impairment	(4,325)	(6,534)	(6,318)	(17,177)
Net book amount	-	-	-	-
At 31 December 2013				
Cost	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-
Net book amount	-	-	-	-

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

19 SUBSIDIARIES

	Company	
	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	640,000	642,609

Details of principal subsidiaries are set out in note 34 to the financial statements.

Notes to the Financial Statements

20 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	-	155

In 2012, the fair value of financial assets at fair value through profit or loss was based on their current bid prices in an active market.

21 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

As at 31 December 2012, amounts receivable from certain subsidiaries of HK\$62,088,000 (2013: Nil) were impaired and fully provided. These subsidiaries were disposal of during the year. All other subsidiaries have no default history.

22 DEFERRED TAXATION

	Group	
	2013 HK\$'000	2012 HK\$'000
Deferred taxation assets	2,064	5,371
Deferred taxation liabilities	(473)	(486)
	1,591	4,885

The net movements on the deferred taxation are as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 January	4,885	1,462
Recognised in the statement of comprehensive income (note 12)	(3,258)	3,423
Disposal of subsidiaries (note 29 (b))	(36)	-
At 31 December	1,591	4,885

Notes to the Financial Statements

22 DEFERRED TAXATION (Continued)

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

	Accelerated depreciation		Provision		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
At 1 January	153	73	5,420	1,728	5,573	1,801
Recognised in the statement of comprehensive income	76	80	(3,331)	3,692	(3,255)	3,772
Disposal of subsidiaries	(36)	-	-	-	(36)	-
At 31 December	193	153	2,089	5,420	2,282	5,573

Deferred taxation liabilities
Group

	Accelerated tax depreciation	
	2013 HK\$'000	2012 HK\$'000
At 1 January	(688)	(339)
Recognised in the statement of comprehensive income	(3)	(349)
At 31 December	(691)	(688)

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\$4,135,000 (2012: HK\$1,687,000) in respect of losses amounting to HK\$25,061,000 (2012: HK\$8,838,000) as at 31 December 2013. These tax losses can be carried forward against future taxable income indefinitely (2012: tax losses of HK\$2,697,000 expiring from 2013 to 2017).

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	2,064	5,371
Deferred taxation liabilities		
- Payable or settle after more than twelve months	(473)	(486)

Notes to the Financial Statements

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade receivables	184,316	464,510	-	-
Less: Impairment	(16,454)	(17,518)	-	-
Trade receivables, net	167,862	446,992	-	-
Other receivables, prepayments and deposits	18,077	15,875	1,008	1,056
	185,939	462,867	1,008	1,056

The 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	136,803	409,554
Less than 30 days	15,601	26,205
31 to 60 days	4,437	4,835
61 to 90 days	1,293	1,489
91 to 180 days	3,148	3,199
Over 180 days	6,580	1,710
	167,862	446,992

Trade receivables of HK\$31,059,000 (2012: HK\$37,438,000) are past due but not impaired. Such receivables are past due less than six months or subsequently received after the year end.

Notes to the Financial Statements

23 TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables of HK\$16,454,000 (2012: HK\$17,518,000) are mainly past due more than six months, impaired and fully provided. The ageing analysis of such receivables is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Less than 6 months	254	319
6 to 12 months	6,501	4,129
Over 12 months	9,699	13,070
	16,454	17,518

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

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1 January	17,518	15,312
Provision for impairment	43,214	42,693
Write-off of uncollectible debts	(41,027)	(39,762)
Unused amounts reversed	(2,281)	(725)
Disposal of subsidiaries	(970)	-
At 31 December	16,454	17,518

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.

24 CASH AND BANK BALANCES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Cash at banks and in hand	174,665	206,051	30	66
Short term bank deposits	397,555	282,000	-	-
Cash and cash equivalents	572,220	488,051	30	66

Notes to the Financial Statements

25 SHARE CAPITAL AND PREMIUM

(a) Share capital and premium

	Number of issued shares (HK\$0.01 each)	Nominal value HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2012	8,300,000,000	83,000	85,816	168,816
Increase in shares upon conversion of convertible notes (Note ii)	5,400,000,000	54,000	463,352	517,352
At 31 December 2012 and 31 December 2013	13,700,000,000	137,000	549,168	686,168

Notes:

- (i) The total authorised number of ordinary shares is 50 billion shares (2012: 50 billion shares) with a nominal value of HK\$0.01 per share (2012: HK\$0.01 per share). All issued shares are fully paid.
- (ii) On 6 June 2012, the convertible notes of HK\$540,000,000 with a conversion price of HK\$0.10 per share were fully converted into fully paid ordinary shares upon maturity. Exercise in full of such convertible notes resulted in the issue of 5,400,000 additional shares of HK\$0.01 each.

(b) Share options

On 19 September 2008, the Company adopted a share option scheme (the "Scheme") by its shareholders at an extraordinary general meeting. Under the Scheme, the Company may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of the Company and its subsidiaries, or any other eligible persons, who, as determined by the directors of the Company (the "Directors"), have contributed or will contribute to the growth and development of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company at the adoption date, excluding for this purpose shares issued on the exercise of options. The exercise price will be determined by the Directors, and will not be less than the highest of: (i) the nominal value of the shares of the Company; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day as defined in the Rules Governing the Listing of Securities on the Stock Exchange. The Scheme will remain in force for a period of ten years commencing from 19 September 2008.

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	1 October 2011 to 30 September 2016	0.053	20,000,000	20,000,000

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

Notes to the Financial Statements

25 SHARE CAPITAL AND PREMIUM (Continued)

(b) Share options (Continued)

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	20,000,000	0.053	20,000,000

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 a weighted average remaining contractual life of 2.75 years (2012: 3.75 years).

26 RESERVES

Group

	Merger reserve HK\$'000	Capital reserve HK\$'000	Convertible notes reserve HK\$'000	Exchange reserve HK\$'000	Employee benefits reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2012	(559,073)	14,918	517,352	(10)	562	323,153	296,902
Profit for the year	-	-	-	-	-	175,822	175,822
Conversion of HK\$540 million convertible notes	-	-	(517,352)	-	-	-	(517,352)
Currency translation differences	-	-	-	(18)	-	-	(18)
At 31 December 2012	(559,073)	14,918	-	(28)	562	498,975	(44,646)
At 1 January 2013	(559,073)	14,918	-	(28)	562	498,975	(44,646)
Profit for the year	-	-	-	-	-	24,904	24,904
Release of currency translation differences arising from disposal of subsidiaries	-	-	-	11	-	-	11
Currency translation differences	-	-	-	17	-	-	17
At 31 December 2013	(559,073)	14,918	-	-	562	523,879	(19,714)

Notes to the Financial Statements

26 RESERVES (Continued)

Company

	Contributed surplus HK\$'000	Convertible notes reserve HK\$'000	Employee benefits reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
At 1 January 2012	2,509	517,352	562	(64,022)	456,401
Loss for the year	-	-	-	(14,863)	(14,863)
Conversion of HK\$540 million convertible notes	-	(517,352)	-	-	(517,352)
At 31 December 2012	2,509	-	562	(78,885)	(75,814)
Profit for the year	-	-	-	599,234	599,234
At 31 December 2013	2,509	-	562	520,349	523,420

Notes:

- (a) Merger reserve represents the difference between the net asset value of subsidiaries acquired and the consideration paid to Midland Holdings, ultimate holding company of the Company, totalling HK\$640,000,000 pursuant to the group reorganisation on 6 June 2007.
- (b) Capital reserve represents the difference between the nominal value of the ordinary share issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation on 28 February 2001.
- (c) Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to group reorganisation on 28 February 2001.

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Commissions payable	122,001	303,647	-	-
Other payables and accruals	29,787	42,590	1,456	864
	151,788	346,237	1,456	864

Commissions payable to property consultants, co-operative estate agents and clients are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK\$15,906,000 (2012: HK\$32,152,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

Notes to the Financial Statements

28 BANK LOAN

The Group's bank loan is repayable as follows:

	2013 HK\$'000	2012 HK\$'000
Within 1 year	913	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
	10,030	10,926

The above amounts due are based on the scheduled dates set out in the loan agreement and ignore the effect of any repayment on demand clause. The bank loan is not wholly repayable within 5 years.

The bank loan is secured by investment properties held by the Group (note 17) and corporate guarantee given by the Company.

The effective interest rate of bank loan is 1.86% (2012: 1.93%). The carrying amount and fair value of the bank loan are as follows:

	Carrying amount		Fair value	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Bank loan	10,030	10,926	10,030	10,926

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 1.86% (2012: 1.93%).

The Group has the following undrawn borrowing facilities:

	Group	
	2013 HK\$'000	2012 HK\$'000
Floating rates Expiring within one year	15,500	15,500

Notes to the Financial Statements

29 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash generated from operations

	2013 HK\$'000	2012 HK\$'000
Operating profit	29,523	201,933
Impairment of receivables	40,933	41,968
Depreciation and amortisation costs	7,035	4,028
Fair value gain on investment properties	(4,730)	(12,030)
Gain on disposal of subsidiaries	(2,205)	-
Loss on disposal of property, plant and equipment	208	282
Fair value loss/(gain) on financial assets at fair value through profit or loss	12	(25)
Operating profit before working capital changes	70,776	236,156
Decrease/(increase) in trade and other receivables	231,951	(374,431)
(Decrease)/increase in trade and other payables	(185,823)	239,772
Net cash generated from operations	116,904	101,497

(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	-
	(216)	-
Exchange reserve realised	11	-
Gain on disposal of subsidiaries	2,205	-
Total consideration	2,000	-
Net cash outflow from disposal of subsidiaries:		
Cash consideration	2,000	-
Cash and bank balances disposed	(3,506)	-
	(1,506)	-

Notes to the Financial Statements

30 CONTINGENT LIABILITIES

As at 31 December 2013, the Company executed corporate guarantees amounting to HK\$29,780,000 (2012: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2013, HK\$10,030,000 of the banking facilities were utilised by a subsidiary (2012: HK\$10,926,000).

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.

31 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	430	1,807
Between one year and five years	7	387
	437	2,194

32 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 payments under non-cancellable operating leases in respect of office and shop premises as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Within one year	28,297	25,201
After one year but within five years	5,951	12,998
	34,248	38,199

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

Notes to the Financial Statements

33 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:

(a) Transactions with related parties

	Note	2013 HK\$'000	2012 HK\$'000
Agency fee income from fellow subsidiaries	(i)	39,187	42,313
Agency fee income from related companies	(ii)	150	3,120
Rental income in respect of office premise from a fellow subsidiary	(iii)	1,825	1,707
Rebate incentives to fellow subsidiaries	(iv)	63,482	59,912
Operating lease rental expense to related companies	(v)	2,551	1,796

Notes:

- (i) Agency fee income from fellow subsidiaries represents agency fee for property agency transactions referred to fellow subsidiaries on terms mutually agreed by both parties.
- (ii) Agency fee income from related companies represents agency service income receivable from certain companies, in which a director of the Company and a director of the ultimate holding company has beneficial interests, on terms mutually agreed by both parties.
- (iii) The Group entered into a lease agreement with a fellow subsidiary on terms mutually agreed by both parties.
- (iv) Rebate incentives to fellow subsidiaries represents commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.
- (v) The Group entered into certain operating lease agreements with certain related companies, in which a director of the Company and a director of the ultimate holding company have beneficial interests, on terms mutually agreed by both parties.

(b) The balances with related parties included in trade receivables and trade payables are as follows:

	2013 HK\$'000	2012 HK\$'000
Amounts due from fellow subsidiaries	42,697	27,947
Amounts due from related companies	150	3,040
Amounts due to fellow subsidiaries	(21,565)	(51,049)

(c) Key management compensation

	2013 HK\$'000	2012 HK\$'000
Fees, salaries, allowances and incentives	7,151	20,213
Retirement benefit costs	32	43
	7,183	20,256

The amount represents emolument paid or payable to Executive Directors of the Company for the year.

Notes to the Financial Statements

34 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held (%)	
				2013	2012
Ketanfall Group Limited (note)	British Virgin Islands	14 shares of US\$1 each	Investment holding in Hong Kong	100	100
Midland IC&I Surveyors Limited	Hong Kong	1 share of HK\$1	Provision of surveying services in Hong Kong	100	100
Midland IC&I Treasury Services Limited	Hong Kong	1 share of HK\$1	Provision of treasury services to the group companies in Hong Kong	100	100
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	100	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	100	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	100	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	100	100
Hong Kong Property (Comm.) Limited	Hong Kong	1 share of HK\$1	Property agency in Hong Kong	100	100
Hong Kong Property (I&O) Limited	Hong Kong	1 share of HK\$1	Property agency in Hong Kong	100	100
Teamway Group Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100	100
Gainwell Group Limited (note)	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100	100
Leader Concord Limited	Hong Kong	2 shares of HK\$1 each	Provision of management services in Hong Kong	100	100

Note: The subsidiaries are directly held by the Company.

List of Investment Properties

Location	Lot number	Existing use	Lease term	Group's interest
21/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon	NKIL2828	Commercial	Medium	100%
Car Park P19 2/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon	NKIL2828	Commercial	Medium	100%

Five-Year Financial Summary

	Year ended 31 December				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)	2009 HK\$'000 (Restated)
For the year					
Revenue	562,505	814,368	457,104	534,650	382,322
Profit before taxation	32,659	206,866	108,065	143,570	92,625
Profit attributable to equity holders of the Company	24,904	175,822	91,343	121,095	77,458
Cashflows					
Net cash inflow from operating activities	94,148	87,500	97,926	93,445	67,841
At year end					
Total assets	831,296	1,018,289	586,931	564,976	407,439
Total liabilities	164,842	376,767	121,213	191,026	154,537
Total equity	666,454	641,522	465,718	373,950	252,902
Cash and bank balances	572,220	488,051	406,813	316,002	230,478
Per share data					
Earnings per share-basic (HK cents)	0.182	1.283	0.669	0.888	0.571

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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