美聯工商舖
MIDLAND IC&I
(459) 香 港 聯 交 所 上 市 公 司

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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)

專
MIDLANDICI
至專工商舖

承時勢 拓新機
Catch the trend
Create new opportunities

年報 2010
Annual Report

*For identification purposes only 僅供識別

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. TANG Mei Lai, Metty
(Chairman and Managing Director)
Mr. WONG Tsz Wa, Pierre
(Chief Executive Officer)

Non-executive Director

Mr. TSANG Link Carl, Brian

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

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. AU YEUNG Pui Shan, Karen
(appointed on 16 August 2010)
Ms. KAM Man Yi, Margaret
(resigned on 16 August 2010)

AUTHORISED REPRESENTATIVES

Mr. WONG Tsz Wa, Pierre
Ms. AU YEUNG Pui Shan, Karen
(appointed on 16 August 2010)
Ms. KAM Man Yi, Margaret
(resigned on 16 August 2010)

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITOR

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISERS

Iu, Lai & Li
20th Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

CAYMAN ISLANDS LEGAL ADVISERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.midlandici.com.hk

STOCK CODE

459

Letter from Chief Executive Officer

REVIEW

I am pleased to announce that Midland IC&I Limited and its subsidiaries (the "Group") logged impressive results for the year ended 31 December 2010. Revenue rose 40% to HK$534.7 million, while earnings jumped 56% to HK$120.4 million, attaining the highest level since the Group was listed. During the reporting year, the Group's operating profit margin also increased noticeably from 24.5% to 26.9%. The Group was able to record good results two years in a row. I attribute that to the single-minded devotion of management and staff, whose professionalism won over client support.

The non-residential property sector has been climbing out of the trough of 2008, although initially, rebound in the sector was not as pronounced as in the residential property sector. Using the unique vantage point of a strong parent for support, the Group strengthened inter-company ties in 2009 to broaden its client base. This helped enhance our competitiveness in 2009 and bolstered our fundamentals for more aggressive expansion last year. This is also why we were able to do well in the reporting year.

The non-residential property sector was robust in 2010. According to the Land Registry, the non-residential property transaction value, which largely reflected buying and selling of industrial and commercial premises, increased 43% from 2009 to HK$128.8 billion last year. This was the highest level recorded since 1997. More than that, for the first time in three years, the sector was active across the board with industrial properties, office premises and retail space all logging more transactions.

Several positive factors moved the sector last year, foremost of which was the macro economic recovery. Locally, a falling unemployment rate and improvement in income helped stimulate spending. An 18% year-on-increase in retail sales had a positive direct impact on retail premises, boosting buy-sell transactions. Hong Kong also saw more economic activities as the business environment improved. In terms of capital raising, for instance, Hong Kong topped markets the world over with initial public offerings garnering about HK$445 billion on the Stock Exchange. A robust financial sector, in turn, created more demand for office space. Last year, more overseas and mainland Chinese companies set up regional headquarters or representative offices in Hong Kong. Rising demand, coupled with chronic shortage of supply, especially in the core business districts, had the effect of raising the prices of office premises and stimulating transactions.

Letter from Chief Executive Officer

The industrial property segment also performed well. The Government policy of revitalising old industrial estates has stirred investor interest in such premises. The low interest rate environment made investing in the segment even more attractive. One should note also that unlike the residential sector, the non-residential sector has not been the subject of cooling measures. The only negative factor seems to have been banks' policy of lowering their lending ratio to 50% of the appraised value of non-residential properties.

Thanks to management's efforts in raising operating efficiency, our profit margin for the year rose. While having increased revenue was one part of the formula, controlling costs was the other. Through re-organising our branch network, we were able to reduce rental expenditure in the face of rising overhead. The year before, the Group had started the process of recruiting talents to raise the standards of front-line staff. While this certainly increased our payroll, we are pleased to observe noticeable intangible results of investing in human resources.

The Group performed especially well in large-scale property transactions last year. We brokered 39% more those transactions valued at over HK$100 million, including a commercial building on Jervois Street, Sheung Wan, for HK$650 million, and another composite building at 14 – 16 Hankow Road, Tsimshatsui, for HK$1.38 billion. The two transactions were a good example of how collaboration with the parent company paid off.

Despite intensifying competition, the Group was able to outperform the industry. I attribute this to the unwavering dedication of our management and front-line professional staff and am grateful for their support.

OUTLOOK

We take a guardedly optimistic view of the prospect of the sector. Although more and more positive developments are taking place in the market, a number of uncertainties remain. Hence management will continue to establish beachheads in the market aggressively while keeping a watchful eye on changing operating conditions. The idea is to apply as much flexibility as possible to reinforce our leading position.

Solid Fundamentals

The continual economical recovery in Hong Kong and the strong economic expansion on the mainland will be the main drivers for the industrial and commercial property sector in the coming year. Simply judging from the

1. Four years in a row, the Group was awarded the "Excellent Brand of Commercial Property Agent" in the Hong Kong Leaders' Choice.
2. Management is cautiously optimistic about the market outlook and will continue to adopt a prudent approach and keep plans fluid and flexible when expanding its foothold.
3. Teaming up with our parent company, our management and elites participated in charitable events and continued to make contributions to the community.

1 2 3

spending spree of mainland visitors over the past Lunar New Year, one can predict with some certainty that Hong Kong will remain a shopping hot spot for our northern neighbors. A tally by the Hong Kong Tourism Board indicated a 15.7% year-on-year increase in mainland visitors during the holidays. Moreover, local economical growth has been considerable, with gross domestic product (GDP) gaining 6.8% in the third quarter, after advancing 7.2% quarter on quarter in the first half. Adjusted for seasonal factors, GDP growth in the third quarter compared to the second quarter actually recorded 0.7%, expanding for the sixth consecutive quarter.

The outlook for Hong Kong businesses remains bright as long as Hong Kong can rely on the mainland for support. We expect many businesses will increase headcounts to meet rising demand. Meanwhile, a number of major enterprises have announced the scale of their pay rises and related plans. Thus the average Hong Konger may see a noticeable rise in annualised income. With locals also spending more, we look forward to a positive impact on the retail property segment.

As the economy picks up, more businesses will be looking for more space to expand, thus raising demand for such premises. In addition, the longstanding tight supply situation in the segment will continue to put a rosy tint on the segment. The Group welcomes the Government's plan in the latest Budget to add supply of office premises via various channels. We believe that such a move will reinforce Hong Kong's status as an international financial center. The influx of overseas and mainland Chinese companies to Hong Kong is a growing trend. Along with the mainland's policy of getting Chinese enterprises to "reach out" overseas and to raise capital in Hong Kong, the local office property segment is likely to get fresh momentum. Meanwhile, overseas businesses will continue to use this city as base for their penetration of the China market, thus further bolstering demand for office space.

Aside from economic factors, Government policy – or rather, the lack of it – also supports a bright outlook for the sector. Government intervention in the form of administrative measures has been slight in the non-residential property sector, compared to the residential property sector. In its attempt to stabilise surging home prices last November, the Government introduced a special stamp duty for short-term sale of residential properties. Surely, some measures, such as the tightening of mortgage lending, do have an impact, but the risk exposure on the commercial and industrial sector is relatively limited. If low interest rates prevail, we expect to see the commercial and industrial sector being hotly pursued by investors.

Letter from Chief Executive Officer

Stay flexible Be cautiously optimistic

On the other hand, uncertainties prevail in global markets. Many factors will affect Hong Kong's economic development and the property market in general. In 2011, these factors include the pace of recovery in the United States, the inflationary trend worldwide, the amount and frequency of interest rate increase on the mainland, the US interest rate trend. In the face of such uncertainties, management will continue to adopt a prudent approach and keep plans fluid and flexible when expanding. Even if market conditions take a bad turn, we shall then be able to respond promptly and appropriately.

Riding on last year's momentum, we shall continue to expand our workforce in 2011. In the reporting year, we already increased our workforce, mostly front-line workers, by 8.5%. We believe, indeed, that our solid performance for the year stemmed partly from the fact that we were able to "jump the cue" on the industry by recruiting talents ahead of our competitors. In addition, the set of policies and procedures introduced earlier to raise professionalism among staff also began to pay off. The surveying and valuation department we established some years ago, for one, did much to bolster our professional infrastructure, making us more competitive in handling large-scale transactions. Our valuation professionals will be kept busy this year, as we expect the large-scale segment to stay active. Our professional image established over the years also will give us a leg up in the competition to recruit new blood. We certainly will continue to ride on our parent's extensive branch network in the residential property market to grow our clientele. To prospective recruits, that is also a clear advantage.

In the coming year, we shall invest more in human resources for the long term. Besides offering staff a wide range of training, courses and seminars, we shall launch the "Management Associates Program" to recruit top university graduates as management trainees, sending them to different departments for practicum exposure to learn the ropes of business in a real operational environment.

To reinforce our leading position in the sector, we launched last year a series of communication services, including the iPhone and Android platforms, to pass on to clients timely market information. This year, we shall further explore opportunities in new media to enhance our mobile communication to meet market demand and to sharpen our competitive edge.

APPRECIATION

I would like to take this opportunity to express our sincere gratitude to our shareholders and customers for their continuous support, and to the management and all staff for their hard work and dedication throughout the year.

Wong Tsz Wa, Pierre
Executive Director and Chief Executive Officer

Hong Kong, 16 March 2011

EXECUTIVE DIRECTORS

Ms. TANG Mei Lai, Metty, aged 55, has been the Chairman and Executive Director of the Company since September 2008. She has also been appointed as Managing Director in October 2008. Ms. TANG is responsible for the Group's overall strategic planning, business development as well as investment strategy and management. Since December 2005, Ms. TANG has been the Deputy Chairman and Executive Director of Midland Holdings Limited ("Midland Holdings"), the controlling shareholder of the Company and a listed company in Hong Kong. Ms. TANG is involved in charity activities and is currently a director, the President and the Honorary Member of Midland Charitable Foundation Limited. Ms. TANG joined Midland Holdings and its subsidiaries in 2004. She is the spouse of Mr. WONG Kin Yip, Freddie, the Chairman and Managing Director of Midland Holdings and is also the mother of Ms. WONG Ching Yi, Angela, an Executive Director of Midland Holdings. Ms. TANG is also the chairman of the remuneration committee and nomination committee of the Company.

Mr. WONG Tsz Wa, Pierre, aged 47, has been the Executive Director and Chief Executive Officer of the Company since June 2007. He is responsible for the Group's overall business strategy and development and implementation of corporate strategies and policy in achieving the overall business objectives. Mr. WONG is also responsible for overseeing the frontline sales force, surveying, public relations and marketing functions of the Group. Mr. WONG joined Midland Holdings and its subsidiaries in 1993 and joined the Group in 2007. Mr. WONG holds a MBA. He has over 23 years of experience in non-residential property agency business in Hong Kong. Mr. WONG is also the member of the remuneration committee and nomination committee of the Company.

NON-EXECUTIVE DIRECTOR

Mr. TSANG Link Carl, Brian, aged 47, has been the Non-executive Director of the Company since March 2005. He is a practising solicitor in Hong Kong and is a partner of a Hong Kong law firm of Iu, Lai & Li, legal adviser to the Company and Midland Holdings. He graduated from King's College, London with a LLB. Degree in 1985. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territory. He is currently an independent non-executive director of another public company listed on the Main Board, namely CITIC Resources Holdings Limited. Mr. TSANG resigned as an independent non-executive director of Pacific Century Premium Developments Limited in June 2009 and Walker Group Holdings Limited in February 2011, both of which are listed on the Main Board of the Stock Exchange. In 2005, he has been appointed as an adjudicator of the Registration of Persons Tribunal as well as a member of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In 2006, he had also been appointed as a member of the Appeal Panel (Housing).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YING Wing Cheung, William, aged 60, has been the Independent Non-executive Director of the Company since May 2005. Mr. YING has over 36 years experience in electronic products manufacturing business and is well versed in marketing and corporate strategic planning. Mr. YING is currently a managing director of Way Mild Company Limited and a director of Yangzhou Jiang Jia Electronics Co. Ltd. He has been appointed as a member of Guangdong Committee of Chinese People's Political Consultative Conference for the Eighth, Ninth and Tenth Terms since 1998 to 2013. Mr. YING was also a member of Jiangmen Committee of Chinese People's Political Consultative Conference for the Eighth Term and the Ninth Term since 1993 to 2003. Mr. YING serves in many social organisations, he is currently a president of Sze Yap Clansmen Association (New Territories, Hong Kong) Limited and a member of Jiangsu Province Chinese Overseas Friendship Association. Mr. YING is also a member of the audit committee, remuneration committee and nomination committee of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. SHA Pau, Eric, aged 53, has been the Independent Non-executive Director of the Company since March 2006. Mr. SHA is the founder of and is currently the managing director of Konda Industries Limited, a special leather goods manufacturing and exporting firm. Mr. SHA has over 25 years of solid experience in international marketing field and is now specified in corporate strategy formulation and overall management and marketing. He holds a bachelor's degree in arts from University of Windsor, Ontario, Canada. Mr. SHA is also a member of the audit committee, remuneration committee and nomination committee of the Company.

Mr. HO Kwan Tat, Ted, aged 46, has been the Independent Non-executive Director of the Company since December 2007. Mr. HO is a practicing Certified Public Accountant in Hong Kong and is now a partner of World Link CPA Limited. He is a member of the Association of Chartered Certified Accountants and the HKICPA. He has extensive experience in audit and taxation. Mr. HO is currently also an independent non-executive director of another company listed on the Main Board, namely SunCorp Technologies Limited. Mr. HO was an independent non-executive director of two Main Board listed companies during the last three years, namely CIAM Group Limited and The Sun's Group Limited (now known as "Loudong General Nice Resources (China) Holdings Limited"). Mr. HO is also the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company.

SENIOR MANAGEMENT

Mr. WONG Hon Shing, Daniel, aged 47, is the Chief Operation Officer of Industrial, Commercial and Shops Division of the Group and is also the Sales Director of Commercial Department under the Division. He has over 21 years of experience in non-residential property agency business, specialising in commercial property, in Hong Kong.

Mr. LO Chin Ho, Tony, aged 48, is the Sales Director of Shops Department under the Industrial, Commercial and Shops Division of the Group. He has over 18 years of experience in non-residential property agency business, specialising in shops property, in Hong Kong.

Mr. CHAN Wai Chi, Alvan, aged 47, is the Sales Director of Industrial and Commercial Department under the Industrial, Commercial and Shops Division of the Group. He has over 25 years of experience in non-residential property agency business, specialising in industrial property, in Hong Kong.

The board of directors (the "Board" or the "Directors") of Midland IC&I Limited (the "Company") 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 applicable code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2010.

BOARD OF DIRECTORS

(i) Board Responsibilities and Delegation

The Board has the responsibility for 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 final 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 Company 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 should report to the Board.

All 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. 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 six directors with two executive directors, one non-executive director 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)*
Mr. WONG Tsz Wa, Pierre *(Chief Executive Officer)*

Non-executive Director
Mr. TSANG Link Carl, Brian

Independent Non-executive Directors
Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted

BOARD OF DIRECTORS (Continued)

(ii) Board Composition (Continued)

The biographical details of the Directors are set out in the section of "Profile of Directors and Senior Management" on pages 7 to 8 of this annual report. None of the members of the Board is related to one another.

Taking into account the knowledge, expertise and experience of the Directors, the Board considers that the Directors have balanced skills and experience contributing 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 segregated. Ms. TANG Mei Lai, Metty and Mr. WONG Tsz Wa, Pierre are the Chairman and the Chief Executive Officer of the Company respectively. The Chairman of the Company is responsible for formulating 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 the corporate and business strategies and development, and the implementation of strategies and policies to achieving the overall commercial objectives.

(iv) Board Meetings and Directors' Attendance

The Directors meet from time to time to discuss and exchange ideas on the affairs of the Group. During the year ended 31 December 2010, the Board has held four meetings to discuss and approve the interim and final results and other significant issues of the Group. At least 14 days' notice of all regular Board meetings was given to Directors. The Agenda and accompanying board papers were sent in full to the Directors at least three days before the intended date of meeting to ensure that they had sufficient time to review the papers and be adequately prepared for the meetings. Draft minutes were sent to all Directors for their comment within a reasonable time after the meetings. Individual attendance records of each of the Directors at the respective Board and committee meetings are set out on page 13 of this annual report.

(v) Non-executive Directors

The term of office of Mr. TSANG Link Carl, Brian, the non-executive director and Mr. SHA Pau, Eric, the independent non-executive director, have been fixed for a specific term of one year. Mr. HO Kwan Tat, Ted, the independent non-executive director, has 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 2010 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. 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 the independent non-executive directors to be independent.

BOARD OF DIRECTORS (Continued)

(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 integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Details of the role and function as well as a summary of the work performed by the Nomination Committee are set out under the heading of "Nomination Committee" below.

In accordance with the Company's 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) of the Directors shall retire from office by rotation but are eligible for re-election by shareholders at the annual general meeting. Each director is subject to retirement by rotation at least once every three years. 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. No new Director was appointed during the year ended 31 December 2010.

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 Company's affairs.

Executive Committee

The Executive Committee 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 two members including Ms. TANG Mei Lai, Metty and Mr. WONG Tsz Wa, Pierre, the executive directors of the Company.

Audit Committee

The Audit Committee comprises three members and is chaired by Mr. HO Kwan Tat, Ted, with other two members including Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, all of whom are 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 responsible for, inter alia, reviewing the Group's financial statements including the interim and annual results and reports and the Group's financial position, reviewing and monitoring the Group's financial control and internal control 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 external auditor, and to review and monitor 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 Company's website.

During the year of 2010, two Audit Committee meetings were held to review and approve 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.

BOARD COMMITTEES (Continued)

Remuneration Committee

The Remuneration Committee is chaired by Ms. TANG Mei Lai, Metty, with other four members namely Mr. WONG Tsz Wa, Pierre, Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted, majority of whom are independent non-executive directors.

The Remuneration Committee is responsible for reviewing and approving the remuneration packages of the executive directors and senior management of the Company. The written terms of reference of the Remuneration Committee setting out its roles and responsibilities are available on the Company's website.

The work of the Remuneration Committee during the year ended 31 December 2010 includes reviewing the remuneration policy of the Group and approving the remuneration packages of the Directors. No Director was involved in the determination of his/her own remuneration package. During the year of 2010, one Remuneration Committee meetings were held.

Details of Directors' emoluments of the Company are set out in note 9 to the consolidated financial statements on pages 53 to 54 of this annual report.

Nomination Committee

The Nomination Committee is chaired by Ms. TANG Mei Lai, Metty, with the other four members namely Mr. WONG Tsz Wa, Pierre, Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted, majority of whom are independent non-executive directors.

The Nomination Committee is responsible for formulating the nomination policy and making recommendations to the Board on nomination and appointment of Directors and Board succession, and assessing the independence of independent non-executive directors. The written terms of reference of the Nomination Committee setting out its roles and responsibilities are available on the Company's website.

The work of the Nomination Committee during the year of 2010 includes reviewing the Board composition, the independence of the independent non-executive directors and the retirement and rotation plan of the Directors. During the year of 2010, one Nomination Committee meeting was held.

ATTENDANCE RECORDS AT THE BOARD AND COMMITTEE MEETINGS

The attendance records of the individual Directors at the Board, Audit Committee, Remuneration Committee and Nomination Committee meetings for the year ended 31 December 2010 are set out below:

	No. of Meetings Attended/Held			
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Ms. TANG Mei Lai, Metty *(Chairman of Remuneration Committee and Nomination Committee)*	3/4	N/A	1/1	1/1
Mr. WONG Tsz Wa, Pierre	4/4	N/A	1/1	1/1
Non-executive Director				
Mr. TSANG Link Carl, Brian	3/4	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. YING Wing Cheung, William	3/4	2/2	1/1	1/1
Mr. SHA Pau, Eric	4/4	2/2	1/1	1/1
Mr. HO Kwan Tat, Ted *(Chairman of Audit Committee)*	3/4	1/2	1/1	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 have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2010.

DIRECTORS' INTERESTS

Details of Directors' interests in the shares of the Company and the associated corporation are set out in the Report of the Directors on page 17 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 2010. In preparing the financial statements for the year ended 31 December 2010, the Directors have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The responsibilities of the external auditor about their financial reporting are set out in the Independent Auditor's Report on pages 25 to 26 of this annual report.

AUDITOR'S REMUNERATION

The remuneration paid to the independent external auditor of the Company, PricewaterhouseCoopers, in respect of the audit and non-audit services provided to the Company and its major subsidiaries for the year ended 31 December 2010 amounted to approximately HK$757,000 (2009: HK$755,000) and HK$386,080 (2009: HK$370,500) respectively. The non-audit services mainly include 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 operations. They are responsible for conducting regular audit on the major activities of the Company. 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 2010, the Board, with the assistance of the internal audit department and the Audit Committee, has conducted an annual review on the effectiveness of the Group's systems of internal control. The review covers all material controls including financial, operational and compliance controls and risk management functions.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

Pursuant to the Listing Rules, voting by poll has become mandatory on all resolutions put forward at general meetings and the poll results will be posted on the websites of the Stock Exchange and of 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.

The Company provides an opportunity for its shareholders to seek clarification and to obtain a better understanding of the Group's performance in the shareholders' meetings of the Company. The Company acknowledges that general meetings are good communication channel with the shareholders. At the general meeting, each substantially separate issue will be considered by a separate resolution, including the election of individual directors, and the poll procedures will be clearly explained. Chairman of the Board and the Chairmen of the relevant Board Committees are available to attend the annual general meeting to inter-face with, and answer questions from the shareholders.

To foster effective communications with its 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 and other information are posted.

The Directors are pleased to present their report together with the audited financial statements of Midland IC&I Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The activities of its principal subsidiaries are set out in note 36 to the financial statements in this annual report.

Details of the analysis of the Group's performance for the year ended 31 December 2010 by business segments are set out in note 6 to the financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 27 of this annual report. The Board does not recommend the payment of any dividend for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2010 are set out in note 27 to the financial statements in this annual report.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounted to HK$384,275.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2010 are set out in note 16 to the financial statements in this annual report.

INVESTMENT PROPERTY

Details of investment property are set out in note 17 to the financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 26 to the financial statements in this annual report.

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 Companies Law of the Cayman Islands.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the reserves of the Company available for distribution to shareholders comprised the share premium, contributed surplus and accumulated losses which in aggregate amounted to HK$23,981,000. Under the Companies Law of the Cayman Islands, the share premium of the Company is available 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 is 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 76 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2010.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2010 and up to the date of this annual report are:

Executive Directors
Ms. TANG Mei Lai, Metty *(Chairman and Managing Director)*
Mr. WONG Tsz Wa, Pierre *(Chief Executive Officer)*

Non-executive Director
Mr. TSANG Link Carl, Brian

Independent Non-executive Directors
Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted

According to Article 87 of the Company's articles of association, Mr. WONG Tsz Wa, Pierre and Mr. TSANG Link Carl, Brian will retire by rotation at the forthcoming annual general meeting ("AGM") and, will being eligible, offer themselves for re– election.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into a director's service agreement with Mr. WONG Tsz Wa, Pierre with a term of three years commencing on 11 June 2010 subject at all times to termination by one month prior notice in writing by either party to the other.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTEREST 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 ended 31 December 2010.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of each of the Directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be recorded in the register required to be kept under section 352 of the SFO; or (ii) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") were as follows:

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

Name of Director	Number of shares of the Company Personal interests	Family interests	Corporate interests	Number of underlying shares	Total	Approximate percentage of interests
Mr. WONG Tsz Wa, Pierre	2,000,000	–	–	–	2,000,000	0.02%

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

Name of associated corporation	Name of Director	Class of shares	Number of shares	Nature of interests	Approximate percentage of interests
Midland Holdings Limited ("Midland Holdings")	Ms. TANG Mei Lai, Metty	Ordinary Shares	36,568,144 (Note)	Family interests	5.05%

Note: Such shares represent the shares held by Mr. WONG Kin Yip, Freddie, directly or indirectly, the spouse of Ms. TANG Mei Lai, Metty, as beneficial owner in the shares of Midland Holdings, the associated corporation of the Company.

Saved as disclosed above, as at 31 December 2010, neither the Directors nor the chief executives of the Company had or was deemed to have 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) .

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests or short positions of the persons, other than a director or the chief executive of the Company, in the shares, underlying shares or debentures 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 Shareholders	Number of issue shares	Number of underlying shares	Holding capacity	Approximate percentage of interests
Midland Holdings	4,300,000,000	5,400,000,000 (Note)	Interest in controlled corporation	116.87%
Tretsfield Investments Limited ("Tretsfield")	–	5,400,000,000 (Note)	Beneficial owner	65.06%

Note: These underlying shares refer to the shares to be issued upon full conversion of the convertible notes in the principal amount of HK$540 million issued by the Company to Tretsfield. Tretsfield is an indirectly wholly-owned subsidiary of Midland Holdings. The percentage holding of Midland Holdings and Tretsfield represents their interest in the existing issued share capital of the Company after full conversion of the convertible notes into shares.

SHARE OPTION SCHEME

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

Total number of shares available for issue is 830,000,000, representing 10% of the issued share capital of the Company as at the date of this annual report.

SHARE OPTION SCHEME (Continued)

(d) *Maximum entitlement of each eligible person*

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person, 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 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 in their respective general meeting with such eligible person and his 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 options granted under the Share Option Scheme and any other share option schemes 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 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 subject to the issue of a circular by the Company and 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 in their respective general meeting with such grantee and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

(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 may be exercised, to be notified by the Directors 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) *Basis of determining the exercise price*

The exercise price of an option to subscribe for the 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.

SHARE OPTION SCHEME (Continued)

(h) 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 10 years from the date of adoption.

During the year under review, no share option had been granted, exercised, cancelled or lapsed under the Share Option Scheme.

CONVERTIBLE SECURITIES, OPTIONS AND WARRANTS

Save as disclosed under the section headed "Share Option Scheme" above and the convertible notes issued by the Company as part of consideration of an acquisition disclosed in the Company's circular dated 7 May 2007, neither the Company nor any of its subsidiaries issued or granted any convertible securities, options, warrants or similar rights and there was no exercise of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group for the year ended 31 December 2010.

The percentages of purchase for the year attributable to the Group's major suppliers are as follows:

– The largest supplier	47%
– Five largest suppliers in aggregate	59%

Midland Holdings, the controlling shareholder of the Company, is the largest supplier of the Group pursuant to the cross referral services agreement between the Company and Midland Holdings. Ms. Tang Mei Lai, Metty, executive director of the Company held approximately 5.05% of the issued share capital of Midland Holdings in the capacity of spouse interest beneficially owned by Mr. Wong Kin Yip, Freddie, an associate of Ms. Tang Mei Lai, Metty. Save as disclosed, no other Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) were interested, at any time during the year, in the Group's five largest suppliers.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business. Further details are set out in note 35 to the financial statements in this annual report.

Some of these transactions also constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, as identified in the section headed "Connected Transitions and Continuing Connected Transactions" below.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year and up to the date of this annual report, the Group had various connected transactions and continuing connected transactions (the "Transactions") with related parties. Details of the Transactions are set out below:

Connected Transactions

1. As disclosed in the Company's announcement dated 30 July 2010, the Group entered into a total of 13 engagements by Ms. Tang Mei Lai, Metty ("Ms. Tang") and her associates for provision of estate agency services in relation to the purchase, disposal and/or leasing of properties occurring within the period from 4 September 2009 to 23 July 2010. The aggregate amount of agency fees paid in connection with the 13 engagements was HK$2,454,888.

2. As disclosed in the Company's announcement dated 21 January 2011, the Group entered into a total of 4 engagements by Ms. Tang's associates for provision of estate agency services in relation to the purchase, disposal and leasing of properties occurring within the period from 1 September 2010 to 21 January 2011. The aggregate amount of agency fees paid in connection with the 4 engagements was HK$4,106,008.

Continuing Connected Transactions

1. On 19 March 2009, Teamway Group Limited, an indirect wholly owned subsidiary of the Company as landlord, entered into a tenancy agreement with City First Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Midland Holdings, as tenant in relation to the leasing of the premises known as the whole of 21st Floor, Ford Glory Plaza, Kowloon, Hong Kong as its office for a term of three years commencing from 19 March 2009 and ending on 18 March 2012 at a monthly rental of HK$114,000 (details of which were disclosed in the announcement dated 19 March 2009).

2. On 5 November 2009, the Company entered into a cross referral services agreement (the "Cross Referral Services Agreement") with Midland Holdings in relation to cross-referral services provided between the relevant members of Midland Holdings and its subsidiaries and of the Group for the estate agency business, whereby the relevant members of Midland Holdings and its subsidiaries may refer estate agency business in respect of industrial and commercial (office and shop) properties to the Group from time to time, and the Group may refer estate agency business in respect of residential properties to the relevant members of Midland Holdings and its subsidiaries from time to time (the "Transactions"). The Transactions were conducted on a case-by-case basis and were 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 15 December 2009.

   Under the Cross Referral Services Agreement, the annual caps for the referral fees payable by the Group to Midland Holdings and its subsidiaries for the years ending 31 December 2010, 2011 and 2012 have been fixed at HK$50 million, HK$55 million and HK$60 million respectively, while the annual caps for the referral fees payable by Midland Holdings and its subsidiaries to the Group for the years ending 31 December 2010, 2011 and 2012 have been fixed at HK$35 million, HK$40 million and HK$45 million respectively. Details relating to the Cross Referral Services Agreement and the annual caps were set out in the announcement and circular of the Company dated 5 November 2009 and 26 November 2009 respectively.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

3. On 30 April 2010, Midland Alliance Limited, an indirectly wholly-owned subsidiary of the Company as tenant, entered into a tenancy agreement with Shun Yik International Limited as landlord in relation to the leasing of the premises for a term of two years commencing from 1 May 2010 and expiring on 30 April 2012 at a monthly rental of HK$113,166 for the first year and HK$125,740 for the second year (details of which were disclosed in the announcement dated 30 April 2010). Shun Yik International Limited is wholly owned by an associate of Ms. Tang, an executive director of the Company.

Pursuant to Rule 14A.37 of the Listing Rules, the above continuing connected transactions ("Continuing Connected Transactions") have been reviewed by the independent non-executive directors of the Company who have confirmed that the Continuing Connected Transactions were carried out:

(i) in the ordinary and usual course of the 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 Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group on pages 21 to 22 of this annual report in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RETIREMENT PLANS

Details of the Company's retirement plans are set out in note 8 to the financial statements in this annual report.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2010 are set out in note 36 to the financial statements in this annual report.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

An analysis of bank loans and liabilities as at 31 December 2010 is set out in note 30 to the financial statements in this annual report. Apart from the above, the Group has no other borrowings as at 31 December 2010.

EMOLUMENT POLICY

The emoluments of the Directors are determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input to the Group's affairs, as well as the Company's performance and remuneration policy.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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 more than 25% of the issued share capital of the Company as required under the Listing Rules.

AUDITOR

The financial statements of the Group for the year ended 31 December 2010 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, will offer themselves for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint them and to authorise the Directors to fix their remuneration.

On behalf of the Board
WONG Tsz Wa, Pierre
Executive Director and Chief Executive Officer

Hong Kong, 16 March 2011

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2010, the Group had net current assets of HK$338,914,000 including bank balances and cash of HK$316,002,000, whilst bank loan amounted to HK$12,663,000. The bank loan was granted to the Group on a floating rate basis. The Group's bank loan was secured by the property held by the Group of HK$35,470,000 and with maturity profile set out as follows:

Repayable

	2010 HK$'000
Within 1 year	853
After 1 year but within 2 years	870
After 2 years but within 5 years	2,716
Over 5 years	8,224
	12,663

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

The Group had unutilised banking facilities amounting to HK$35,500,000 from various banks.

As at 31 December 2010, the gearing ratio, which represents the percentage of borrowings and liability portion of convertible notes over total equity of the Group was 5.4%. 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 2.9.

The Directors believe that the existing financial resources of the Group are sufficient to fulfill its commitments, current working capital requirements and further development.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

During the year, there was no 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 mainly denominated in Hong Kong dollar. The Directors considered that the foreign exchange exposure of the Group is minimal.

CONTINGENT LIABILITIES

As at 31 December 2010, the Company executed corporate guarantees amounting to HK$49,780,000 as the securities for general banking facilities and bank loans extended to wholly-owned subsidiaries. As at 31 December 2010, the bank loan drawn by one of its subsidiaries was HK$14,280,000.

EMPLOYEE INFORMATION

As at 31 December 2010, the Group employed 512 full-time employees.

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 option 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. On staff development, both in-house and external training and development programmes are conducted on a regular basis.

羅兵咸永道會計師事務所

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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 27 to 74 which comprise the consolidated and company balance sheets as at 31 December 2010, 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 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 2010, 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, 16 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenues	6(a)	534,650	382,322
Other income	7	4,375	3,081
Staff costs	8	(282,314)	(193,911)
Rebate incentives		(47,656)	(42,134)
Advertising and promotion expenses		(9,698)	(7,843)
Operating lease charges in respect of office and shop premises		(11,262)	(12,462)
Impairment of receivables		(12,356)	(6,797)
Depreciation		(2,241)	(2,077)
Other operating costs		(29,599)	(26,577)
Operating profit	10	143,899	93,602
Finance income	11	623	265
Finance costs	11	(952)	(1,242)
Profit before taxation		143,570	92,625
Taxation	12	(23,135)	(15,590)
Profit for the year		120,435	77,035
Other comprehensive income			
Currency translation differences		(47)	16
Total comprehensive income for the year		120,388	77,051
Profit attributable to:			
Equity holders		120,435	77,035
Non-controlling interests		–	–
		120,435	77,035
Total comprehensive income attributable to:			
Equity holders		120,388	77,051
Non-controlling interests		–	–
		120,388	77,051
		HK cent	HK cent
Earnings per share	15		
Basic		0.883	0.568
Diluted		0.883	0.568

Consolidated Balance Sheet

As at 31 December 2010

	Note	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (restated)	As at 1 January 2009 HK$'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	4,721	4,675	3,244
Investment property	17	35,100	31,100	–
Deferred taxation assets	23	3,102	2,667	1,643
		42,923	38,442	4,887
Current assets				
Trade and other receivables	24	205,888	138,345	52,487
Financial assets at fair value through profit or loss	21	163	174	110
Tax recoverable		–	–	7,280
Cash and bank balances	25	316,002	230,478	180,374
		522,053	368,997	240,251
Total assets		564,976	407,439	245,138
EQUITY AND LIABILITIES				
Equity holders				
Share capital	26(a)	83,000	83,000	83,000
Share premium		85,816	85,816	85,816
Reserves	27	204,051	83,663	6,612
		372,867	252,479	175,428
Non-controlling interests		–	–	–
Total equity		372,867	252,479	175,428

	Note	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (restated)	As at 1 January 2009 HK$'000 (restated)
Non-current liabilities				
Bank loan	30	–	–	–
Convertible notes	28	7,631	12,316	16,705
Deferred taxation liabilities	23	1,339	531	1
		8,970	12,847	16,706
Current liabilities				
Bank loan	30	12,663	13,513	–
Trade and other payables	29	164,499	118,319	52,661
Taxation payable		5,977	10,281	343
		183,139	142,113	53,004
Total liabilities		192,109	154,960	69,710
Total equity and liabilities		564,976	407,439	245,138
Net current assets		338,914	226,884	187,247
Total assets less current liabilities		381,837	265,326	192,134

TANG Mei Lai, Metty
Director

WONG Tsz Wa, Pierre
Director

Balance Sheet

As at 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	20	642,609	642,608
Current assets			
Amounts due from subsidiaries	22	22,191	23,228
Cash and bank balances	25	67	68
		22,258	23,296
Total assets		664,867	665,904
EQUITY AND LIABILITIES			
Equity holders			
Share capital	26(a)	83,000	83,000
Share premium		85,816	85,816
Reserves	27	455,517	455,224
Total equity		624,333	624,040
Non-current liabilities			
Convertible notes	28	7,631	12,316
Current liabilities			
Amounts due to subsidiaries	22	31,643	28,759
Other payables and accruals	29	1,260	789
		32,903	29,548
Total liabilities		40,534	41,864
Total equity and liabilities		664,867	665,904
Net current liabilities		(10,645)	(6,252)
Total assets less current liabilities		631,964	636,356

TANG Mei Lai, Metty
Director

WONG Tsz Wa, Pierre
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Net cash generated from operations	31	120,748	67,948
Hong Kong profits tax (paid)/refund		(27,066)	1,135
Interest paid		(237)	(1,242)
Net cash from operating activities		93,445	67,841
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,290)	(3,441)
Purchase of investment property		–	(23,685)
Bank interest received		623	265
Purchase of financial assets at fair value through profit or loss		(4)	–
Net cash used in investing activities		(1,671)	(26,861)
Cash flows from financing activities			
Interest paid on convertible notes		(5,400)	(4,389)
Drawdown of bank loan		–	14,280
Repayment of bank loan		(850)	(767)
Net cash (used in)/from financing activities		(6,250)	9,124
Net increase in cash and cash equivalents		85,524	50,104
Cash and cash equivalents at 1 January		230,478	180,374
Cash and cash equivalents at 31 December	25	316,002	230,478

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital HK$'000	Share premium HK$'000	Reserves HK$'000	Equity holders HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	83,000	85,816	83,663	252,479	–	252,479
Comprehensive income						
Profit for the year	–	–	120,435	120,435	–	120,435
Other comprehensive income						
Currency translation differences	–	–	(47)	(47)	–	(47)
Total comprehensive income	–	–	120,388	120,388	–	120,388
At 31 December 2010	83,000	85,816	204,051	372,867	–	372,867
At 1 January 2009	83,000	85,816	6,612	175,428	–	175,428
Comprehensive income						
Profit for the year	–	–	77,035	77,035	–	77,035
Other comprehensive income						
Currency translation differences	–	–	16	16	–	16
Total comprehensive income	–	–	77,051	77,051	–	77,051
At 31 December 2009	83,000	85,816	83,663	252,479	–	252,479

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, One Grand Tower, 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively 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 on 16 March 2011.

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 ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and financial assets at fair value through profit or loss, 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 2010

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 17 Amendment	Leases
HKAS 18 Amendment	Revenue
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 8 Amendment	Operating Segments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the above new or revised standards and amendments and interpretation to standard did not have significant effect on the financial information or result in any significant changes in the Group's significant accounting policies except as described below:

2 BASIS OF PREPARATION (Continued)

(b) Standards, interpretations and amendments effective in 2010 (Continued)

(i) HKFRS 3 (Revised) "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date when control is obtained, recognising a gain/loss in the statement of comprehensive income. All acquisition-related costs should be expensed. The adoption of this revised standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.

(ii) HKAS 27 (Revised) "Consolidated and Separate Financial Statements". The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the statement of comprehensive income. The adoption of this amendment to standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.

(iii) HKAS 17 Amendment, "Leases". It deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land", and amortised over the lease term. HKAS 17 Amendment has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The accounting for land interest classified as finance lease is as below:

(a) If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the time when the land interest is available for its intended use over the shorter of the useful live of the asset and the lease term; and

(b) If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property.

2 BASIS OF PREPARATION (Continued)

(b) Standards, interpretations and amendments effective in 2010 (Continued)

(iii) (Continued)
The effect of the adoption of this amendment is as below:

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000	As at 1 January 2009 HK$'000
Decrease in leasehold land and land use rights	(69)	(71)	–
Increase in property, plant and equipment	69	71	–

(iv) On 29 November 2010, the HKICPA issued HK Interpretation 5 – Presentation of Financial statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause. This interpretation states that liability, which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. In prior years, the Group classified the borrowings based on the maturity of the borrowings. The effective of the interpretation has resulted in a change in the accounting policy relating to the classification of borrowings as current liabilities and non-current liabilities and as a result the Group has reclassified certain borrowings from non-current liabilities to current liabilities.

The effect of the adoption of this amendment is as below:

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000	As at 1 January 2009 HK$'000
Decrease in bank loan			
– Non-current liabilities	(11,810)	(12,654)	–
Increase in bank loan			
– Current liabilities	11,810	12,654	–

2 BASIS OF PREPARATION (Continued)

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

The HKICPA has issued a number of new and amendments to standards which are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, relevant to the Group and have not been early adopted.

Effective for the year ending 31 December 2011

HKAS 24 (Revised)	Related Party Disclosures

Effective for the year ending 31 December 2012

HKAS12 (Amendments)	Deferred tax: Recovery of Underlying Assets

Effective for the year ending 31 December 2013

HKFRS 9	Financial Instruments

The Group is assessing the impact of these new standards and amendments. The adoption of these new and amendments will not result in a significant impact on the results and financial position of the Group except for the adoption of HKAS 12 (Amendment) where the Group is expected to derecognise the deferred tax liabilities arising from investment property measured at fair value and there will also be certain changes in presentation and disclosures in the financial statements.

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.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (Continued)

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

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

(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 dollar, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

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

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates; and

– all resulting exchange differences are recognised as a separate component of equity.

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

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

(d) Property, plant and equipment

Property, plant and equipment are 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 income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets 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 land classified as finance lease	Over the lease term
Buildings	50 years
Leasehold improvements	2 to 3 years
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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other operating cost, in the income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment property

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. Changes in fair values are recognised in the income statement as part of other income or other operating costs. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific property.

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

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

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

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment. Impairment on goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (Continued)

(ii) Research and website development costs

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

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

(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 determine 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

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

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

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 income statement on equity instruments are not reversed through the income statement.

(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 income statement 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 income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Cash and cash equivalents

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

(k) Share capital

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

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

(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 income statement over the period of the borrowings using the effective interest method.

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

(n) 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement scheme obligations

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

(iii) Share-based compensation

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

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

(p) Provisions

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes are determined using a market interest rate for an equivalent non-convertible notes. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the note is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued.

(r) Revenue recognition

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

Agency fee from property agency business is recognised when services are rendered which is generally the time when a formal agreement among the transacted parties (including the Group) is established.

Internet education and related services involving sales of goods are recognised upon transfer to 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 income statement on a straight-line basis over the period of the lease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, 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, trade and other receivables and amounts due from group companies and fellow subsidiaries. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, the management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment is made for the irrecoverable amounts.

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

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, other than bank deposits which are at variable rates, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

At the balance sheet date, if interest rates had been increased or decreased by 3% and all other variables were held constant, the Group's profit/loss before taxation would increase or decrease by approximately HK$37,000 (2009: HK$4,000) for the year ended 31 December 2010.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

The Group aims to finance its operations with its own capital and earnings. The Group maintains its own treasury function (the "Group Finance") to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations and will consider to finance major capital investment, such as application of mortgage loans on acquisition of properties.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities and net settled derivative 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 bank's 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 loans 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	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2010					
Bank loan	14,364	–	–	–	–
Trade and other payables	–	164,499	–	–	–
Convertible notes	–	5,400	2,700	–	–
	14,364	169,899	2,700	–	–
At 31 December 2009					
Bank loan	15,218	–	–	–	–
Trade and other payables	–	118,319	–	–	–
Convertible notes	–	5,400	5,400	2,700	–
	15,218	123,719	5,400	2,700	–

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 borrowings. 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 borrowings as necessary.

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

The total debt to equity ratios at 31 December 2010 and 2009 were as follows:

	2010 HK$'000	2009 HK$'000
Bank loan	12,663	13,513
Total equity	372,867	252,479
Total debt to equity ratio	3.4%	5.4%

(c) Fair value estimation

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

The fair value of investment property is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

The financial instruments comprise primarily equity securities listed in Hong Kong. As at 31 December 2010, equity securities amounted to HK$163,000 (2009: HK$174,000) are measured at fair value which are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

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 adjustments of assets and liabilities within the next financial year are discussed below.

(i) 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 condition, customers' profiles, completion terms and other relevant factors. Revenues from those transactions would not be recognised in the income statement until relevant transactions whose economic benefits are not probable to flow into the Group are completed or until the uncertainty is removed.

(ii) Impairment of trade receivables

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

Management reassesses the provision at each balance sheet date.

(iii) Fair value of investment property

The valuation of investment property is made on the basis of the open market value of each property. The valuation is reviewed by valuers. Management will reassess the assumptions by considering the information from a variety of sources including (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; and (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that affect those prices.

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

	2010 HK$'000	2009 HK$'000
Turnover		
Agency fee	506,600	360,513
Internet education and related services	26,682	20,963
	533,282	381,476
Other revenue		
Rental income from a fellow subsidiary	1,368	846
Total revenues	534,650	382,322

(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 mainly includes the provision of internet education and related services.

The Group has changed the internal reporting structure of corporate function effective for the year ended 31 December 2010. Accordingly, the comparative segment information has been restated to reflect the current reporting structure.

	Year ended 31 December 2010				
	Property agency				
	Commercial HK$'000	Industrial HK$'000	Shop HK$'000	Others HK$'000	Total HK$'000
Total revenues	228,677	83,382	217,619	26,792	556,470
Inter – segment revenues	(11,127)	(4,669)	(7,282)	(110)	(23,188)
Revenues from external customers	217,550	78,713	210,337	26,682	533,282
Segment results	69,860	23,712	63,167	150	156,889
Depreciation	663	439	228	260	1,590
Impairment of receivables	3,572	1,326	7,361	97	12,356
Additions to non-current assets	1,238	620	122	285	2,265

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2009				
	Property agency				
	Commercial HK$'000	Industrial HK$'000	Shop HK$'000	Others HK$'000	Total HK$'000
Total revenues	162,942	60,516	146,305	21,054	390,817
Inter – segment revenues	(2,514)	(2,389)	(4,347)	(91)	(9,341)
Revenues from external customers	160,428	58,127	141,958	20,963	381,476
Segment results	54,639	18,857	36,161	(1,056)	108,601
Depreciation	485	656	443	181	1,765
Impairment of receivables	931	1,008	4,858	–	6,797
Additions to non-current assets	147	554	54	958	1,713

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

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

	2010 HK$'000	2009 HK$'000
Revenues from external customers for reportable segments	533,282	381,476
Rental income from a fellow subsidiary	1,368	846
Total revenues per consolidated statement of comprehensive income	534,650	382,322

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 gains on investment property occupied by group companies, finance income, finance costs and taxation are not included in the segments results.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	2010 HK$'000	2009 HK$'000
Segment results for reportable segments	156,889	108,601
Corporate expenses	(16,990)	(17,565)
Fair value gains on investment property	4,000	2,566
Finance income	623	265
Finance costs	(952)	(1,242)
Profit before taxation	143,570	92,625

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and financial assets at fair value through profit or loss, which are managed on a central basis. These are part of the reconciliation to total balance sheet assets and liabilities.

As at 31 December 2010	Property agency				
	Commercial HK$'000	Industrial HK$'000	Shop HK$'000	Others HK$'000	Total HK$'000
Segment assets	101,859	77,483	80,874	15,553	275,769
Segment liabilities	67,917	21,494	55,921	5,306	150,638

As at 31 December 2009	Property agency				
	Commercial HK$'000	Industrial HK$'000	Shop HK$'000	Others HK$'000	Total HK$'000
Segment assets	72,739	56,608	53,194	14,138	196,679
Segment liabilities	48,999	16,133	37,218	4,134	106,484

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2010 HK$'000	2009 HK$'000
Segment assets	275,769	196,679
Corporate assets	285,942	207,919
Deferred taxation assets	3,102	2,667
Financial assets at fair value through profit or loss	163	174
Total assets per consolidated balance sheet	564,976	407,439

Reportable segment liabilities are reconciled to total liabilities as follows:

	2010 HK$'000	2009 HK$'000
Segment liabilities	150,638	106,484
Corporate liabilities	40,132	47,945
Deferred taxation liabilities	1,339	531
Total liabilities per consolidated balance sheet	192,109	154,960

7 OTHER INCOME

	2010 HK$'000	2009 HK$'000
Fair value gains on investment property	4,000	2,566
Unrealised gains on financial assets at fair value through profit or loss	–	64
Sundries	375	451
	4,375	3,081

8 STAFF COSTS

	2010 HK$'000	2009 HK$'000
Salaries and allowances	72,693	65,780
Commissions	205,481	124,472
Pension costs for defined contribution plans	4,140	3,659
	282,314	193,911

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 income statement represents contributions paid and payable by the Group to the fund. Contributions totaling HK$807,000 (2009: HK$602,000) which are payable to the fund are included in other payable and accruals as at 31 December 2010.

9 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2010 is set out below:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Performance incentives HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors						
Ms TANG Mei Lai, Metty	–	2,747	–	1,148	12	3,907
Mr WONG Tsz Wa, Pierre	–	1,514	8,486	–	12	10,012
	–	4,261	8,486	1,148	24	13,919
Non-executive director						
Mr TSANG Link Carl, Brian	70	–	–	–	–	70
Independent Non-executive directors						
Mr SHA Pau, Eric	80	–	–	–	–	80
Mr YING Wing Cheung, William	80	–	–	–	–	80
Mr HO Kwan Tat, Ted	80	–	–	–	–	80
	240	–	–	–	–	240
	310	4,261	8,486	1,148	24	14,229

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

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2009 is set out below:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Performance incentives HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors						
Ms TANG Mei Lai, Metty	–	2,579	–	900	12	3,491
Mr WONG Tsz Wa, Pierre	–	1,364	5,283	–	12	6,659
	–	3,943	5,283	900	24	10,150
Non-executive director						
Mr TSANG Link Carl, Brian	70	–	–	–	–	70
Independent Non-executive directors						
Mr SHA Pau, Eric	80	–	–	–	–	80
Mr YING Wing Cheung, William	80	–	–	–	–	80
Mr HO Kwan Tat, Ted	80	–	–	–	–	80
	240	–	–	–	–	240
	310	3,943	5,283	900	24	10,460

No director waived or agreed to waive any emoluments during the year (2009: Nil). No incentive payment for joining the Group was paid or payable to any directors during the year (2009: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include two (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: three) individuals during the year are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries and allowances	1,557	1,668
Discretionary bonuses	475	320
Contribution to MPF scheme	36	36
	2,068	2,024

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

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2010 HK$'000	2009 HK$'000
Below HK$1,000,000	3	3

10 OPERATING PROFIT

Operating profit is arrived at after charging:

	2010 HK$'000	2009 HK$'000
Auditor's remuneration	757	755
Net realised and unrealised loss on financial assets at fair value through profit or loss	15	–

11 FINANCE INCOME AND COSTS

	2010 HK$'000	2009 HK$'000
Finance income		
Bank interest income	623	265
Finance costs		
Finance cost of convertible notes	(715)	(1,012)
Interest on bank loan [Note]	(237)	(230)
	(952)	(1,242)
Finance costs, net	(329)	(977)

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

12 TAXATION

	2010 HK$'000	2009 HK$'000
Current		
Hong Kong profits tax	22,762	16,084
Deferred (note 23)	373	(494)
	23,135	15,590

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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:

	2010 HK$'000	2009 HK$'000
Profit before taxation	143,570	92,625
Calculated at a taxation rate of 16.5% (2009: 16.5%)	23,689	15,283
Income not subject to taxation	(103)	(54)
Expenses not deductible for taxation purposes	332	320
Utilisation of previously unrecognised tax losses	(995)	(352)
Tax losses not recognised	148	849
Others	64	(456)
Taxation charge	23,135	15,590

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$293,000 (2009: HK$337,000).

14 DIVIDEND

The Board do not recommend the payment of a dividend for the year ended 31 December 2010 (2009: Nil).

15 EARNINGS PER SHARE

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

	2010 HK$'000	2009 HK$'000
Profit attributable to equity holders	120,435	77,035
Effect on interest expense on convertible notes, net of tax	596	845
Profit for calculation of basic and diluted earnings per share	121,031	77,880
Number of shares in issue (thousands)	8,300,000	8,300,000
Effect on conversion of convertible notes (thousands)	5,400,000	5,400,000
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 (thousand)	13,700,000	13,700,000
Basic earnings per share (HK cent)	0.883	0.568
Diluted earnings per share (HK cent)	0.883	0.568

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 and the net profit is adjusted to eliminate the interest expense less the tax effect.

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 is made to determine the number of shares that could have been acquired at fair value (according to the average annual market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted earnings per share for the year ended 31 December 2009 did not assume the exercise of share options outstanding during the year since the exercise of share options would have an anti-dilutive effect. For the year ended 31 December 2010, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
At 1 January 2009					
Cost	–	5,048	963	9,086	15,097
Accumulated depreciation	–	(4,578)	(825)	(6,450)	(11,853)
Net book amount	–	470	138	2,636	3,244
Year ended 31 December 2009					
Opening net book amount	–	470	138	2,636	3,244
Additions	388	2,416	166	536	3,506
Depreciation	(8)	(794)	(72)	(1,201)	(2,075)
Closing net book amount	380	2,092	232	1,971	4,675
At 31 December 2009					
Cost, as previously reported	317	6,908	1,107	9,514	17,846
Adjustment for adoption of amendment to HKAS 17	73	–	–	–	73
Cost, as restated	390	6,908	1,107	9,514	17,919
Accumulated depreciation, as previously reported	(8)	(4,816)	(875)	(7,543)	(13,242)
Adjustment for adoption of amendment to HKAS 17	(2)	–	–	–	(2)
Accumulated depreciation, as restated	(10)	(4,816)	(875)	(7,543)	(13,244)
Net book amount, as restated	380	2,092	232	1,971	4,675

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
Year ended 31 December 2010					
Opening net book amount	309	2,092	232	1,971	4,604
Adjustment for adoption of amendment to HKAS 17	71	–	–	–	71
Opening net book amount, as restated	380	2,092	232	1,971	4,675
Additions	–	1,295	76	919	2,290
Depreciation	(10)	(1,283)	(83)	(865)	(2,241)
Exchange difference	–	–	–	(3)	(3)
Closing net book amount	370	2,104	225	2,022	4,721
At 31 December 2010					
Cost	390	5,750	1,184	10,430	17,754
Accumulated depreciation	(20)	(3,646)	(959)	(8,408)	(13,033)
Net book amount	370	2,104	225	2,022	4,721

Land and buildings with carrying amount of HK$370,000 (2009: HK$380,000) are pledged as security for the Group's bank loan (Note 30). Land at its net book value is analysed as follows:

	2010 HK$'000	2009 HK$'000
In Hong Kong		
Leases of between 10 to 50 years	69	71

17 INVESTMENT PROPERTY

	Group	
	2010 HK$'000	2009 HK$'000
Opening net book amount	31,100	–
Additions	–	28,534
Change in fair value	4,000	2,566
Closing net book amount	35,100	31,100

The investment property was revalued at 31 December 2010 by Knight Frank Petty Limited, based on current prices in an active market for all properties.

Investment property at its net book value is analysed as follows:

	Group	
	2010 HK$'000	2009 HK$'000
In Hong Kong		
Leases of between 10 to 50 years	35,100	31,100

Investment property is pledged as security for the Group's bank loan (note 30).

18 LEASEHOLD LAND

	Group	
	2010 HK$'000	2009 HK$'000
Opening net book amount	71	–
Adjustment for adoption of amendment to HKAS 17	(71)	–
Opening and closing net book amount, as restated	–	–

19 INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Website development cost HK$'000	Licensing rights HK$'000	Total HK$'000
At 1 January 2009, 31 December 2009 and 2010				
Cost	4,325	6,534	6,318	17,177
Accumulated amortisation and impairment	(4,325)	(6,534)	(6,318)	(17,177)
Net book amount	–	–	–	–

20 SUBSIDIARIES

	Company 2010 HK$'000	Company 2009 HK$'000
Unlisted shares, at cost	642,609	642,608

Details of principal subsidiaries are set out in note 36 to the financial statements.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2010 HK$'000	Group 2009 HK$'000
Equity securities listed in Hong Kong, at market value	163	174

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

22 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

As at 31 December 2010, amounts receivable of HK$46,974,000 (2009: HK$46,974,000) are impaired and fully provided. All other subsidiaries have no default history.

23 DEFERRED TAXATION

	Group 2010 HK$'000	2009 HK$'000
Deferred taxation assets	3,102	2,667
Deferred taxation liabilities	(1,339)	(531)
	1,763	2,136

The net movements on the deferred taxation are as follows:

	Group 2010 HK$'000	2009 HK$'000
At 1 January	2,136	1,642
Recognised in the income statement (note 12)	(373)	494
At 31 December	1,763	2,136

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 accounting depreciation		Provision		Tax loss		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
At 1 January	80	–	2,587	941	–	768	2,667	1,709
Recognised in the income statement	44	80	391	1,646	–	(768)	435	958
At 31 December	124	80	2,978	2,587	–	–	3,102	2,667

23 DEFERRED TAXATION (Continued)

Deferred taxation liabilities:

Group

	Accelerated tax depreciation		Fair value		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
At 1 January	–	(67)	(531)	–	(531)	(67)
Recognised in the income statement	(256)	67	(552)	(531)	(808)	(464)
At 31 December	(256)	–	(1,083)	(531)	(1,339)	(531)

Deferred taxation assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred taxation assets of HK$3,158,000 (2009: HK$4,660,000) in respect of losses amounting to HK$14,631,000 (2009: HK$28,244,000) as at 31 December 2010. These tax losses can be carried forward against future taxable income. Tax losses amounting to HK$8,756,000 (2009: HK$8,661,000) will expire from 2011 to 2015 (2009: from 2010 to 2014).

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset assets against liabilities and when the deferred taxation relate to the same fiscal authority. The gross amounts before offsetting are as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Deferred taxation assets		
– Recoverable within twelve months	3,102	2,667
Deferred taxation liabilities		
– Payable or settle after more than twelve months	(1,339)	(531)

24 TRADE AND OTHER RECEIVABLES

	Group 2010 HK$'000	2009 HK$'000
Trade receivables	206,949	148,822
Less: Impairment	(7,458)	(17,620)
Trade receivables, net	199,491	131,202
Other receivables, prepayments and deposits	6,397	7,143
	205,888	138,345

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

	Group 2010 HK$'000	2009 HK$'000
Not yet due	184,953	118,388
Less than 30 days	5,090	6,181
31 to 60 days	3,318	3,101
61 to 90 days	2,127	1,832
Over 90 days	4,003	1,700
	199,491	131,202

Trade receivables of HK$14,538,000 (2009: HK$12,814,000) are past due but not impaired. Such receivables are past due less than six months.

Trade receivables of HK$7,458,000 (2009: HK$17,620,000) are mainly past due more than six months, impaired and fully provided. The ageing of such receivables is as follows:

	Group 2010 HK$'000	2009 HK$'000
Less than 6 months	253	367
6 to 12 months	3,073	2,858
Over 12 months	4,132	14,395
	7,458	17,620

24 TRADE AND OTHER RECEIVABLES (Continued)

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

	Group	
	2010 HK$'000	2009 HK$'000
At 1 January	17,620	17,959
Provision for impairment	16,989	10,703
Write-off of uncollectible debts	(22,518)	(7,136)
Unused amounts reversed	(4,633)	(3,906)
At 31 December	7,458	17,620

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

25 CASH AND BANK BALANCES

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Cash at bank and in hand	170,666	100,594	67	68
Short-term bank deposits	145,336	129,884	–	–
Cash and cash equivalents	316,002	230,478	67	68

26 SHARE CAPITAL

(a) Share capital

	Number of Shares (HK$0.01) each	Nominal Value HK$'000
Authorised:		
At 31 December 2010 and 2009	50,000,000,000	500,000
Issued and fully paid:		
At 31 December 2010 and 2009	8,300,000,000	83,000

26 SHARE CAPITAL (Continued)

(b) Share options

(i) 2005 share option scheme

On 6 June 2005, the Company adopted a share option scheme (the "Scheme") pursuant to an ordinary resolution. The Scheme was terminated upon adoption of a new share option scheme on 19 September 2008 as set out in note 26(b)(ii).

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

	2010		2009	
	Average exercise price per share HK$	Number of options	Average exercise price per share HK$	Number of options
At 1 January	–	–	0.06	83,000,000
Lapsed during the year		–		(83,000,000)
At 31 December		–		–

(ii) 2008 new share option scheme

On 19 September 2008, the Company adopted a new share option scheme (the "New Scheme") pursuant to an extraordinary general meeting. Under the New 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, 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 time, 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 of the closing price of the shares of the Company quoted on the Main Board of the Stock Exchange's daily quotation sheet on the five trading days immediately preceding the date of offer of the options; and (iii) the closing price of the shares quoted on the Main Board of the Stock Exchange's daily quotation sheet on the date of offer of the options, which must be a business day as defined in the Listing Rules. The New Scheme will remain in force for a period of ten years commencing from 19 September 2008. As of 31 December 2010, no option has been granted under the New Scheme.

27 RESERVES

Group

	Merger reserve HK$'000	Capital reserve HK$'000	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 31 December 2008	(559,073)	14,918	517,352	158	1,652	31,605	6,612
Currency translation differences	–	–	–	16	–	–	16
Lapse of share options	–	–	–	–	(1,652)	1,652	–
Profit for the year	–	–	–	–	–	77,035	77,035
At 31 December 2009	(559,073)	14,918	517,352	174	–	110,292	83,663
Currency translation differences	–	–	–	(47)	–	–	(47)
Profit for the year	–	–	–	–	–	120,435	120,435
At 31 December 2010	(559,073)	14,918	517,352	127	–	230,727	204,051

Company

	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2008	2,509	517,352	1,652	(66,626)	454,887
Lapse of share option	–	–	(1,652)	1,652	–
Profit for the year	–	–	–	337	337
At 31 December 2009	2,509	517,352	–	(64,637)	455,224
Profit for the year	–	–	–	293	293
At 31 December 2010	2,509	517,352	–	(64,344)	455,517

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.

28 CONVERTIBLE NOTES

On 6 June 2007, the Company issued an aggregate of HK$540,000,000 1% convertible notes due in June 2012 as part of the consideration for the acquisition of the subsidiaries engaging in the commercial and industrial properties and shops agency businesses. The holders of the note have the right to convert the notes into new shares of HK$0.01 each of the Company, during a period commencing from the date immediately after six months from date of issue of the note, unless with the prior written consent from the Company, to date of maturity, at an initial conversion price of HK$0.10 per share. Unless previously converted, the note will be mandatory converted at date of maturity on 6 June 2012. The liability component represents the present value of interest payable under the convertible notes using the discount rate of 6.57%.

No convertible note was converted into shares of the Company during the year ended 31 December 2010 (2009: Nil).

29 TRADE AND OTHER PAYABLES

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Trade payables	497	681	–	–
Commissions payable	133,216	91,892	–	–
Other payable and accruals	30,786	25,746	1,260	789
	164,499	118,319	1,260	789

The trade payables and commissions payable include principally the commissions payable to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK$19,587,000 (2009: HK$19,818,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

30 BANK LOAN

	Group 2010 HK$'000	Group 2009 HK$'000
Bank loan	12,663	13,513

The bank loan is secured by land and building (note 16) and investment property (note 17) held by the Group.

The Group's bank loan is repayable as follows (Note):

	Group 2010 HK$'000	Group 2009 HK$'000
Within 1 year	853	859
Between 1 and 2 years	870	874
Between 2 and 5 years	2,716	2,713
Over 5 years	8,224	9,067
	12,663	13,513

Note: The amounts due are based on the scheduled date set out in the loan agreement and ignore the effect of any payment on demand clause. The bank loan is wholly repayable over 5 years.

The effective interest rate of bank loan is 1.95% (2009: 1.72%).

The carrying amount of bank loan approximate its fair value. The fair value is based on cash flows discounted using a rate based on the borrowing rate of 1.95% (2009: 1.72%).

The Group has the following undrawn borrowing facilities:

	Group 2010 HK$'000	Group 2009 HK$'000
Floating rates		
Expiring within one year	35,500	35,500

31 STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash generated from operations

	2010 HK$'000	2009 HK$'000
Operating profit	143,899	93,602
Depreciation	2,241	2,077
Impairment of receivables	12,356	6,797
Fair value gains on investment property	(4,000)	(2,566)
Net unrealised loss/(gain) on financial assets at fair value through profit or loss	15	(64)
Operating profit before working capital changes	154,511	99,846
Increase in trade and other receivables	(79,899)	(97,571)
Increase in trade and other payables	46,136	65,673
Net cash generated from operations	120,748	67,948

32 CONTINGENT LIABILITIES

As at 31 December 2010, the Company executed corporate guarantees amounting to HK$49,780,000 (2009: HK$49,780,000) as the securities for general banking facilities and bank loans extended to wholly-owned subsidiaries. As at 31 December 2010, the bank loan drawn by one of its subsidiaries was HK$14,280,000 (2009: HK$14,280,000).

33 FUTURE LEASE RENTAL RECEIVABLE

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

	Group	
	2010 HK$'000	2009 HK$'000
Within one year	1,368	1,368
Between one year and five years	294	1,662
	1,662	3,030

34 COMMITMENTS

(a) Capital commitments

As at 31 December 2010, the Group and the Company did not have any significant capital commitment (2009: Nil).

(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	
	2010 HK$'000	2009 HK$'000
Not later than one year	9,235	9,083
Between one year and five years	3,744	8,136
	12,979	17,219

As at 31 December 2010, the Company did not have any significant operating lease commitments (2009: Nil).

35 RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

		Group	
	Notes	2010 HK$'000	2009 HK$'000
Agency fee income from fellow subsidiaries	(i)	21,021	18,647
Agency fee income from related companies	(ii)	396	673
Agency fee income from a director	(iii)	2,060	–
Rental income in respect of office premise from a fellow subsidiary	(iv)	1,368	846
Rebate commission expense to fellow subsidiaries	(v)	(40,242)	(34,445)
Rental expense in respect of office and shop premises to related companies	(vi)	(792)	–

35 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

(i) Agency fee from fellow subsidiaries represents agency fee for property agency transactions referred to fellow subsidiaries on terms mutually agreed by both parties.

(ii) Agency fee from related companies represents agency fee for property agency transactions referred to certain companies, in which a director of the ultimate holding company has beneficial interests, on terms mutually agreed by both parties.

(iii) Agency fee from a director represents agency fee for property agency transactions referred to a director of the Company and the ultimate holding company on terms mutually agreed by both parties.

(iv) The Group entered into a lease agreement with a fellow subsidiary on terms mutually agreed by both parties.

(v) Commission expense to fellow subsidiaries represents commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.

(vi) The Group entered into certain lease agreements with certain related companies, in which a director of the ultimate holding company has beneficial interests, on terms mutually agreed by both parties.

(b) The balances arising from receipt and provision of services included in trade receivables and trade payables are as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Amounts due from fellow subsidiaries	7,898	10,766
Amounts due to fellow subsidiaries	23,148	16,772

(c) Key management compensation

	Group	
	2010 HK$'000	2009 HK$'000
Salaries and allowances	13,895	10,196
Retirement benefit costs	24	24
	13,919	10,220

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	2010 Interest held %	2009 Interest held %
Ketanfall Group Limited	British Virgin Islands	14 shares of US$1 each	Investment holding 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
Teamway Group Limited	British Virgin Islands	1 share of US$1	Property investment in Hong Kong	100	100
Unicorp Investment Limited	Hong Kong	1 share of HK$1	Securities investment in Hong Kong	100	100
Gainwell Group Limited	British Virgin Islands	1 share of US$1	Investment holding in Hong Kong	100	100
Value Media International Limited	British Virgin Islands	100 shares of US$1 each	Investment holding in Hong Kong	100	100
Leader Concord Limited	Hong Kong	2 shares of HK$1 each	Investment holding in Hong Kong	100	100
EVI Education Asia Limited	British Virgin Islands	2,000 shares of US$1 each	Investment holding in Hong Kong	100	100

36 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	2010 Interest held %	2009 Interest held %
EVI eTraining Limited	Hong Kong	1 share of HK$1	Provision of online training courses in Hong Kong	100	100
EVI Services Limited	Hong Kong	21,053 shares of HK$1 each	Sales and installation of computer hardware and software, provision of computer training services and internet education services in Hong Kong	100	100
Silicon Workshop Limited	Hong Kong	100 shares of HK$1 each	Sales and installation of computer hardware and software and provision of computer training services in Hong Kong	80	80
Sinodelta Limited	Hong Kong	2 shares of HK$1 each	Provision of SMS messaging services and training of music boards and attendance systems in Hong Kong and leasing in Hong Kong	100	100

List of Investment Property

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%

Five-Year Financial Summary

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
For the year					
Revenues	534,650	382,322	257,598	464,405	292,950
Profit before taxation	143,570	92,625	2,645	96,269	49,269
Profit/(loss) attributable to equity holders of the Company	120,435	77,035	(607)	78,449	40,791
Cashflows					
Net cash from/(used in) operating activities	93,445	67,841	42,121	174,143	(4,744)
At year end					
Total assets	564,976	407,439	245,138	383,843	376,777
Total liabilities	192,109	154,960	69,710	207,513	155,795
Non-controlling interest	–	–	–	253	718
Total equity	372,867	252,479	175,428	176,330	220,982
Cash and bank balances	316,002	230,478	180,374	143,291	119,642
Per share data					
Earnings per share-basic (HK cent)	0.883	0.568	0.003	0.578	0.30

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