

磐石根基 生生不息

FUTURE RESTS ON SOLID FOUNDATION

Adansonia Digitata
猴麵包樹



The cover image is “Adansonia Digitata” 封面圖為「猴麵包樹」

Baobab (adansonia digitata) or monkey bread tree, is also known as African Tree of Life. With a life spanning across 50 centuries, it is anything but treasure. It relates to Midland Group. Its roots go down profoundly and its branches and leaves stretch up abundantly, embracing a strong intensity of life. Likewise, our Group covers a wide spectrum of activities including residential, industrial and commercial properties and shops agency, finance and wealth management, immigration consultancy, surveying and valuation, and mortgage referral. Having its branches established across China, Hong Kong and Macau, it is ready to continue to grow till the end of time.

猴麵包樹，又稱非洲生命樹，壽命長達5000載，渾身是寶，猶如美聯集團，根基深厚，展現旺盛生命力，枝葉繁盛，集團業務涵蓋住宅物業及工商舖代理、金融理財、移民顧問、測量估值及按揭轉介等眾多業務，分行遍佈中、港、澳，生生不息，長期茁壯成長。



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Corporate Information

DIRECTORS

Non-Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman*)
Mr. KAN Chung Nin, Tony

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

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

BERMUDA LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

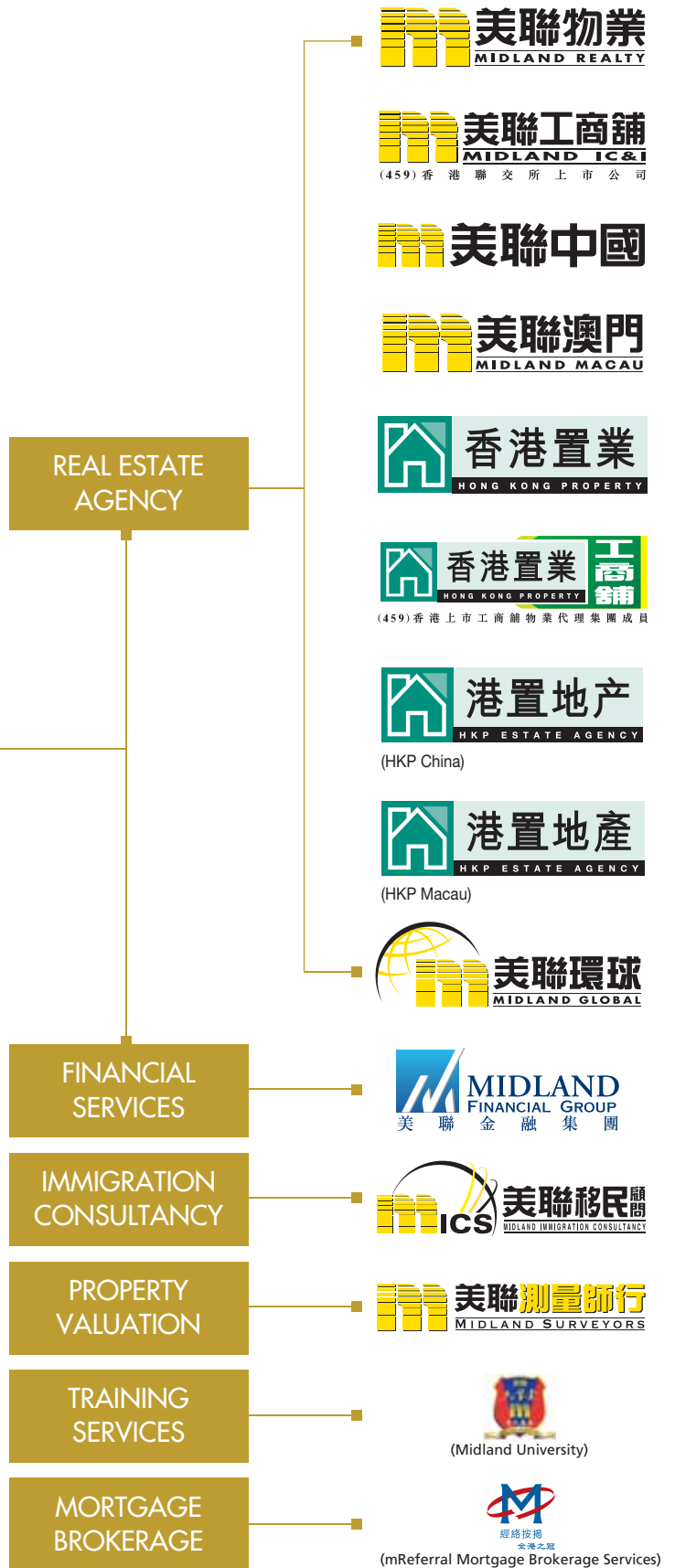
www.midland.com.hk

STOCK CODE

1200



Organisation Chart



Appendix to Organisation Chart



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

Strategic Business Units

Business Description



Midland Realty

Provision of residential property agency services in Hong Kong



Midland IC&I

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



Midland China

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



Midland Macau

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



Hong Kong Property

Provision of residential property agency services and commercial properties agency services



Midland Global

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



Midland Financial Group

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



Midland Immigration Consultancy

Provision of immigration consultancy services in Hong Kong and Macau



Midland Surveyors

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



Midland University

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



mReferral Mortgage Brokerage Services

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



Major Events and Awards for the Year



“Annual Dinner 2015” were full of starlight

The Group’s “Annual Dinner 2015” was held at the Hong Kong Convention and Exhibition Centre. The theme of this year’s dinner banquet was “Starry Starry Night”, meaning that Midland has groomed a countless number of super stars who shine and shimmer in the property agency industry. The highlight of the star-studded event was the annual “Award Presentation of Real Estate Agents”. Various real estate developers not only attended the event to show their support, but also joined the Group’s management to present a number of year-end awards to staff with outstanding performance. This represents the sincere cooperation between different parties hence the continuation to strive for a win-win situation for all.

The innovative “Management Strategic Meeting” stimulated new ideas

Adhering to the Group’s notion of striving for innovation and change, the “Management Strategic Meeting” was organised at a new venue and had included interactive elements. This aims to stimulate new ideas from the top management and come up with pragmatic development strategies, better management policies and new business goals by abandoning sloganised empty words, hence sets new direction for the Group’s future growth.



Management announced the Group’s development blueprint

As the Group’s new reform has been running effectively, the Chairman led the core management team to meet the media. The Group unveiled its latest development blueprint and initiatives, which shows the Group’s entrepreneurial qualities including strong foundation, good structure and excellent management.



Outstanding performance in the first-hand property market endorsed by developers

The Group had been revamping and upgrading its sales team. Amidst the rosy primary market, the Group proactively increases its market share by joining hands with various real estate developers. It achieved outstanding sales performance in various new residential development projects with repeatedly high recognition from developers.





Major Events and Awards for the Year

Midland Realty has a stronger team after its revamp

Midland Realty had been revamped with a brand new management team. The new team is now more pragmatic, motivated with better governance. Having the ability to manage effectively internally and the ability to show its strengths externally, the team is well-equipped to achieve good sales performance in the primary residential market.



Opened specialist outlets focusing on new residential projects

The Group has sophisticated plans on the sales of primary residential market. This includes the opening of specialist outlets at strategic locations. Real estate developers were also invited to officiate the opening of these new branches, hence reflecting Midland's leading position in the industry and its deep cooperative relationship with real estate developers.



"We are the Champion" sports event for solidarity

With the aim of boosting staff's energy level and morale, the Group organised "We are the Champion" sports event for the second year. Officiated by the Chairman who cheered for the participating staff, the games attracted more than 1,000 employees to gather at MacPherson Stadium and the staff enjoyed competing in different games and strived their best to win the champion.



Reformation of monthly frontline management meeting

New elements such as round-table meeting, small group discussion and ice-breaking games have been added to the monthly frontline management meetings. These have enhanced the atmosphere, the interaction between staff from different departments and branches as well as their involvement. The meetings further boost the team's morale and stimulate the team to explore for new business opportunities.



"Elite Club" improved to give elite staff extraordinary experience

The "Elite Club" has gathered the high-calibre talents in the industry who are regarded as an important asset of the Group. Therefore, abundant resources have been put to fully revamp the "Elite Club" with the aim to improve the quality of its events, the support and the privileges that the elite members can enjoy. Members are rewarded with extraordinary experience which allows them to better equip themselves.



Seminars were held to enhance the public's knowledge

In response to market needs, the Group has partnered with celebrities and top hosts to hold a series of talks on the property and stock market. Offering the general public the latest market news, insightful views and quality analysis, the talks attracted a lot of participants who highly praised the event, showing the importance and influence of market leader.





Major Events and Awards for the Year

Active participation in exchange activities to improve the standards of the industry

The Group has been putting a lot of effort in enhancing the communication and exchanges between different parties through taking part in symposiums, leadership talks and luncheons held by various organisations as well as exchange programmes held by prestigious educational institutions. These help the Group and industry players to excel further.



Opinion leader and credible source of media

Being an opinion leader in the industry, the Group has been keeping abreast of the market trend and promptly shared its feedback on housing policies and market changes through press conferences, in-depth interviews, feature stories, instant responses and market analysis, etc. This proves the Company's high credibility and its deep media penetration.



Midland Realty (Global) has signed closer cooperation agreements with partners

Midland Realty (Global) has been pro-actively expanding its business in promoting overseas properties by signing closer cooperation agreements with various partners. The combined synergy helped both parties to enhance their competitiveness in the market and allowed Midland's business to expand to regions including North America and Europe, netting the business opportunities in the global market.



"Live With A Dream" commemoration publication

Following the Group's renowned "Making Dreams a Reality" series which commemorate its 40th anniversary, the Group has adopted a new theme called "Live With A Dream" to produce a fine commemoration publication. It recorded a number of staff's journey in making their dreams come true. The key interviewees have even turned into characters such as magician, pilot and superman to show how they have lived with a dream and fought for their dream.



Launched "Making Dreams a Reality" video series

Following the "Making Dreams a Reality" series, the Group also came up with a video series which records stories of the Company's outstanding staff on their route to wealth and success. Moving from traditional two-dimensional brand promotion to multimedia production, the campaign allows our elite agents well-known to the public.



Developed social media platform to enhance interactive communication

Riding on the popularity of social media, the Group has followed the trend by setting up open social media platforms such as official Facebook page and a dedicated Youtube channel, which cover the latest news about the Company. These offer better communication channels and allow Midland to update its development and display its exceptional corporate culture.





Major Events and Awards for the Year

Revamped corporate newsletter “Midland Generation”

The Group has revamped its newsletter “Midland Generation” with new content, page layout and design. Apart from enterprise news and news digest on frontline activities, new elements such as market analysis and columns on various lifestyle information are now added in the publication. Both electronic and printed editions are now available which will help boost the newsletter’s readership.



“Influencing China Award Presentation Ceremony – Outstanding Business in the Industry”

As a well-known Hong Kong business in mainland China, it was the only winner in the industry to be awarded “Outstanding Business in the Industry” in “Influencing China Award Presentation Ceremony” organised by Wen Wei Po celebrating the 65th Anniversary of the founding of the People’s Republic of China.



Upgraded privileges for Midland Club members

The Midland Club keeps upgrading the privileges for its members by offering brilliant events and rewards. Apart from the lucky draw which has different themes every month, the Club also organises different family activities which aims at striking a balance amongst individuality, family, corporate and community.



Launched the “Talent Hunt Operation”

To cope with the Group’s strategic development plan, the Human Resources Department has launched the large-scale recruitment project, “Talent Hunt Operation”. Apart from active participation in job fairs, it also launched referral scheme and organised industry talks to increase the recruitment channels hence netting talents from various areas with different backgrounds in order to strengthen its sales team.



Launched the new mobile app “Making a Deal”

The Group has developed a brand new mobile communication app called “Making a Deal” for its staff. It contains rich content about the property markets and it can be used to broadcast messages, which helps frontline and back office staff to keep abreast of the latest market trend and get prepared for every business opportunity.



“The 46th Distinguished Salesperson Award”

The Group values manpower development and has been putting resources in grooming countless number of staff to become outstanding salespersons in the industry. Twelve of the Group’s outstanding employees have won the 46th Distinguished Salesperson Award (DSA) this year, while two of them have won The Outstanding Young Salesperson Award (OYSA). Their performance has been recognised.





Major Events and Awards for the Year

“Outstanding Collaboration Partner of Developers – Property Agency”

The Group was recognised for its close collaboration with developers by the award of “Outstanding Collaboration Partner of Developers – Property Agency” in “Outstanding Developer Awards 2014” jointly organised by Capital & Capital Weekly Magazine.



“High Potential Corporate Brand” Award

As a well-known brand, the Group was awarded “Judging Panel – High Potential Corporate Brand” in “Prestigious Corporate Brand Awards 2014” jointly organised by Ming Pao and Master of Science Programme in Marketing, The Chinese University of Hong Kong. It was the only winner in the industry.



“Hong Kong Outstanding Enterprises 2014”

As a well-known listed company in Hong Kong, the Group received the award of “Hong Kong Outstanding Enterprises 2014”, organised by Economic Digest, in the category of main board companies.





Chairman's Statement



Future rests on solid foundation

Business Review

For the year ended 31 December 2014, Midland Holdings Limited (the "Company") and its subsidiaries (the "Group") managed to turn around and recorded a profit attributable to equity holders of HK\$63,975,000, while revenue of the Group increased by 23% to HK\$4,118,267,000 (as compared to 2013), a new-high since listed in 1995. The Group reported a loss attributable to equity holders of HK\$204,037,000 for 2013. The turnaround of the Group's results in 2014 was mainly attributable to:

1. Midland Realty, one of its key operations, has been strengthening its market position in Hong Kong;
2. the primary residential sales transactions in Hong Kong posted an appreciable increase in 2014; and
3. improvement in operating efficiency through adopting a series of strategic initiatives, including constantly optimising the management structure and operational processes which resulted in better resources management and costs control refinement on certain operating costs items of the Group.

Outperformed the local property market

In 2014, according to the figures from Land Registry, the value and volume of property sales registrations in Hong Kong recorded a year-on-year increase of 20% and 16% respectively, and the Group recorded a revenue growth of 23%. The financial performance shows that the Group outperformed the local property market last year. Last year, staff at all levels put in extra effort to implement the three-year plan, helping the Group gain ground in the competition. And as the Chairman of the Group, I led the two Managing Directors, Ms. WONG Ching Yi, Angela and Mr. WONG Tsz Wa, Pierre, and the other Executive Directors in sharpening the competitive edges of the Group. I am thankful to the staff who have provided their support to the Group. The implementation of various business initiatives has continued to pay off. For instance, the Group allocated a significant portion of resources in strengthening its presence in the local new home sector. Hence the Group was in a good position to benefit from a robust primary market. Last year, total transaction value of the new residential properties deals hit a record high of approximately HK\$176 billion. Meanwhile,



Chairman's Statement

the Group's local sales force was expanded further. After being promoted at the beginning of last year, the veteran sales management executives have significantly enhanced the morale and level of synergy of the sales team in the year. Encouragingly, Midland Realty performed well at the new projects sales.

Market recovery was not comprehensive

Despite the increase in property market activity, the business environment was still very challenging. Undeniably, overall market transaction volume increased by 16% in 2014. However, the growth was mainly due to the low comparative base in 2013. As a matter of fact, the number of property deals last year was still nearly 30% less than that in 2012. Weighted by the tough mortgage requirements and hefty stamp duty, luxury home sector did not perform well in 2014. Activity in the secondary residential market was also far from normal. For the non-residential property sector, transaction volume and value even shrank by 11% and 28% respectively. Outshining the other segments, new home sector was supported by solid end-user demand for small-to-medium units. In my view, the local property market recovery in 2014 was not comprehensive.

Mainland operation

Property market was weak in Mainland China, which unfavourably affected the Group's Mainland operations. As the central government reshaped the economy, excessive investment was dampened and short term property market performance was compromised. The Group's Mainland operations responded to the slowdown through reallocation of resources. On the one hand, our Mainland operations strengthened its presence in Zhuhai, a Mainland city adjacent to Macau. On the other hand, it reduced its branch network in other cities. In the later part of the year, various central government policies including interest rate cut and relaxation of home restrictions have helped stabilize the property market. However, in 2014, the overall property market conditions remained tough in Mainland China.

Outlook

Hong Kong economy is expected to grow, albeit at a slower rate. Local economic fundamentals are sound. Unemployment rate is hovering at around historical low and Hong Kong people have amassed a huge amount of wealth in the past few years. However, tourism industry, one of the drivers of the city's economy, is showing signs of weakness. After recording a ten-year consecutive increase, retail sales dropped in 2014. In addition, GDP growth target of Mainland China has revised from 7.5% in 2014 to 7% in 2015. Moreover, the economic problems in Europe are expected to linger. Also, the changing expectations on possible rate hikes in the US will keep on causing fluctuations on the macro-economic environments. Nonetheless, the loose monetary policies adopted by China, Japan and Euro-zone can help stabilize the global economy. And the Hong Kong economy will likely to perform well if interest rates stay at a comfortable level.

The central government is reshaping the economy and it may bring short term minor correction. However, in medium to long term, the Group is confident that the future economic growth in China will be more stable and sustainable. Hong Kong will continue to benefit from Mainland economic development as the central government maintains its supportive stance towards Hong Kong. Indeed, the central government keeps launching policies favorable to Hong Kong. For instance, the proposed Shenzhen-Hong Kong Stock Connect, together with the Shanghai-Hong Kong Stock Connect launched in the fourth quarter of last year will further strengthen the role of Hong Kong as an international financial center.

Strong new home sector

Housing policies have been one of the most significant factors affecting the property market in Hong Kong. In 2013, property transaction volume fell to 23-year low as a result of the property market cooling measures launched at the beginning of that year. And since May of last year, the new home sales activity



Chairman's Statement

has heated up after the government made adjustments to the doubled stamp duty measures. Home prices have also performed strongly. Last year, home prices for small-to-medium residential units rose 12%. According to the figures from Rating and Valuation Department, the smaller the size of the unit, the higher was the property price growth last year.

To curb the rise of property prices, Hong Kong Monetary Authority, further tightened the mortgage requirements recently. The general market consensus is that there will be only short term impacts on the small-to-medium end of the secondary residential sector. New home sector is not expected to be affected by these measures as developers can always best position themselves by providing innovative incentive schemes to attract customers.

Volume of new home sales is predicted to grow this year. As the new home supply is set to rise, pricing for new properties will be normalized. Moreover, most developers are mainly building small-to-medium sized residential units which better match the demand of the end-users. Individual homeowners' unwillingness to sell out their properties also helps new home sales.

Appreciation

In 2014, the board of directors of the Company (the "Board") and the management dealt with various forms of challenges. As the founder and Chairman, I have worked closely with my colleagues on the Board to enhance the efficiency of the Group. The challenges have united our Board and staff. I am thankful to the shareholders, customers and staff who have provided their support to the Group. Also, on behalf of the Board, I would like to extend our gratitude to those shareholders who sided with the Board at the Special General Meeting held last August.

WONG Kin Yip, Freddie

Chairman

Hong Kong, 26 March 2015



Strategic Review and Planning

Expanded sales force

The competitive environment remained fierce last year. As the local property market sentiment improved, small estate agency companies showed resilience and the number of “statement of particulars of business” (SPoB) which represents the number of branches of estate agents within the industry registered a year-on-year growth of 0.6% last year. However, the number of licensed agents dropped slightly last year, suggesting that hiring good performing agents was not easy. The Group continued to expand our sales force with our brand value. By reengineering our sales force management and refining our value added service within the Group, we are able to attract talents.

As the Group raised the sales productivity, the number of branch outlets in Hong Kong was slightly reduced during the year under review. Hence, rental expenditures dropped.

The survival of the fittest

During boom time, good companies can earn in spades. However, during gloom time, market opportunities are captured only by the large players. The growth of the number of participants in the market has been tapering off. However, there are still some small agency companies joining the industry throughout the years. Our household brand name, the trust gained from customers, vast client base and listings, and the after sales services have shaped the Group’s success today. Serving our customers day by day for 42 years, the Group is confident to stand out from the competition.

Seek for improvements

Midland Realty has firmly planted its root in Hong Kong for 42 years. The Group could successfully become a market leader because, among other reasons, it never sits on its laurels. At the beginning of this year, I have cultivated a working attitude of “Winning is in details”, hoping that all our staff can always strive for excellence. Without any hesitation, the Group will continue to push forward the three-year plan formulated by me at the end of 2013.

The three-year plan is progressing with initial achievements which include:

1. Flexible and short-term incentive schemes for new project sales

Our senior management devises plans to incentivize our staff in a way to timely align the focus of the sales force with the changes and needs of the market.

2. The establishment of the sales operation improvement team

This team already kick-started an in-store management program which is aimed at enhancing the efficiency of the individual agents. Meanwhile, it also explored possible area of improvements in operation efficiency at deal making level.

3. IT development

“Making a Deal”, a new mobile app for internal use was developed successfully. This new app has facilitated information flow among staff, promoted faster communications and better organized information in one hub. Enhancing corporate website with new features, among other things, can improve users’ experience and sharpen the Group’s edge over small-to-medium sized agency companies.

4. Staff motivation and retention

Elite Club, a prestige privileges program for the finest sales executives, has been reinvigorated and, hence morale of the outstanding staff has been boosted. Meanwhile, Loyal Staff clubs including “Friends of Midland” etc. are established exclusively for long service staff, honoring their loyalty to the Group.

5. Internal communications

The debut of “Midland Generation”, an internal publication, has brought internal communications among the Group’s staff to the next level. This new publication not only enables the staff to learn more about the Group’s latest direction, but also provides a platform to recognize our staff contributions.



6. CRM development

The Group has already started working on a complete overhaul of our CRM system. The purpose of this exercise is to help our middle sales management staff to leverage on the client's data base efficiently.

There are other initiatives in progress and I am confident that they will bear good fruits in foreseeable future. For instance, our marketing department is planning to conduct after sales service interview. This exercise has a clear goal of enhancing customers' satisfaction. Besides, the brand is further reinforced and I have been positioned as the representative of the industry. Another initiative in progress is the launch of the Midland Privileges Program which provides premium service to the institutional customers.

As the Deputy Chairman and Managing Director of the Company, I shall continue to work closely with Mr. WONG Tsz Wa, Pierre, the other Managing Director, and the other management of the Group to implement those initiatives.

WONG Ching Yi, Angela

Deputy Chairman and Managing Director

Hong Kong, 26 March 2015



Profile of Directors

Non-Executive Directors

Mr. WONG Kin Yip, Freddie (Chairman)

aged 65, is the Founder, Chairman and Non-Executive Director of the Company. He is also a member of the Remuneration Committee and the Nomination Committee, and leads the Chairman's Office.

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

Mr. WONG has over 41 years of experience in the real estate agency business in Hong Kong, China and overseas. He is a pioneer in the mortgage brokerage business and introduced mortgage referral services to Hong Kong. Mr. WONG is the vice president of The Association of Hong Kong Professionals, and the chairman and permanent director of Midland Charitable Foundation Limited. In addition, Mr. WONG was a member of The Shenzhen Committee of the Chinese People's Political Consultative Conference from 2005 to 2010, a member of the Estate Agents Authority in Hong Kong from 2006 to 2010, and also a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for the years of 2006 and 2007.

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

Mr. KAN Chung Nin, Tony

aged 64, LL.B., P.C.L.L., BBS, JP, has been the Non-Executive Director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company since March 2014. He is the Founder and Senior Consultant of Tony Kan & Co., Solicitors & Notaries, practising as a Solicitor of the Supreme Court of Hong Kong since 1982. He is also a Solicitor of the Supreme Court of England and Wales, a Barrister and Solicitor of the Supreme Court of the Australian Capital Territory, as well as Advocate and Solicitor of the Supreme Court of the Republic of Singapore. He is also a China Appointed Attesting Officer and a Notary Public. Mr. KAN is currently a Committee Member of the National Committee of the Chinese People's Political Consultative Conference and was a Committee Member of the Guangdong Committee of the Chinese People's Political Consultative Conference for three consecutive terms. Mr. KAN had been an Elected Member of the Sha Tin District Council from 1985 to the end of 2011. He had also been an Elected Member of the Regional Council and he was elected as Vice Chairman of the Council in July 1997 until its dissolution at the end of 1999.

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



Executive Directors

Ms. TANG Mei Lai, Metty

aged 59, has been the Executive Director of the Company since December 2005. She was the Deputy Chairman of the Company from December 2005 to March 2011.

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

Ms. TANG has been the Chairman of Midland IC&I Limited ("Midland IC&I"), the Company's listed subsidiary, since September 2008. She had been an Executive Director and the Managing Director of Midland IC&I since September 2008 and October 2008 respectively before her re-designation as Non-Executive Director of Midland IC&I in December 2014.

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

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

Ms. WONG Ching Yi, Angela

aged 34, has been the Executive Director of the Company since March 2008 and has been the Deputy Chairman of the Company since March 2011, and had been the Deputy Managing Director of the Company since August 2011 before her re-designation as Managing Director of the Company in December 2014. She is a member of the Remuneration Committee, the Nomination Committee and the Chairman's Office.

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

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

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

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



Profile of Directors

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

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

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

aged 51, has been the Managing Director and Executive Director of the Company since November 2012. He joined the Group in 1993 and has been a member of the Chairman’s Office since December 2011. Mr. Pierre WONG holds a master’s degree in business administration and he is a professional member of The Royal Institution of Chartered Surveyors. He has over 26 years of experience in real estate agency business in Hong Kong.

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

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

Ms. IP Kit Yee, Kitty

aged 55, has been the Executive Director of the Company since October 2008. She is a member of the Chairman’s Office.

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

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



Mr. CHEUNG Kam Shing

aged 51, has been the Executive Director of the Company since March 2011. He was the Consultant of the Group from November 2008 to March 2011. Mr. CHEUNG is responsible for the strategic development and daily operation of the Group's China division "Midland China" and Macau division "Midland Macau". He has over 29 years of solid experience in the real estate agency business. Mr. CHEUNG has served the Group for 23 years and was the Executive Director of the Company from June 1998 to November 2005. He is a director of various members of the Group.

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis

aged 58, has been the Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Audit Committee and the Nomination Committee and a member of the Remuneration Committee of the Company.

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

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

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

Mr. KOO was an Independent Non-Executive Director of Weichai Power Co., Ltd. from October 2003 to June 2012, a company listed on the Main Board of the Stock Exchange.

Mr. SUN Tak Chiu

aged 51, has been the Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company.

Mr. SUN has over 28 years of experience in the fields of accounting, securities industries and corporate finance. Mr. SUN holds a bachelor's degree in law and a master's degree in business administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Association of Chartered Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities and Investment Institute.



Profile of Directors

Mr. CHAN Nim Leung, Leon

aged 59, has been the Independent Non-Executive Director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company since November 2012. He is the principal partner of Messrs. Y.T. Chan & Co., a legal firm in Hong Kong. He was admitted as a solicitor in Hong Kong, England and Wales as well as Victoria, Australia. Mr. CHAN acquired extensive experience in conveyancing matters in his 34 years of practice as a solicitor. Mr. CHAN holds a master's degree in business administration from Birmingham University. He was a member of the Solicitors Disciplinary Tribunal Panel from May 1993 to May 2008. He is the Non-Executive Director of three listed companies in Hong Kong, namely Hongkong Chinese Limited, Lippo China Resources Limited and Lippo Limited. He was the Independent Non-Executive Director of a listed company in Hong Kong, PanAsialum Holdings Company Limited from January 2013 to December 2014. He also serves as the chairman of the supervisory board of the Macau Chinese Bank, S.A., a licensed bank in Macau.

Mr. WONG San

aged 58, has been the Independent Non-Executive Director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company since September 2013. He is a professional building surveyor and holds a Master Degree of Science in International Real Estate. He is the founder of and is currently the Managing Director of Samson Wong & Associates Property Consultancy Limited. Mr. WONG has over 31 years' experience in property consultancy management, including real estate development, building survey and design, project planning & management and facility management, conversant with the Mainland and overseas real estate industry and also international joint venture development projects. He had worked for Standard Chartered Bank as their Property Administration Manager and for an international real estate consultancy firm as their CEO. Mr. WONG is an Authorised Person and is a fellow member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Facility Management. In 1998, he was elected as the President of the Hong Kong Institute of Surveyors and was awarded the Distinguished Building Surveyor in 2000.



Corporate Governance Report

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

Corporate Governance Practices

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2014 except for the matter as set out on page 22 of this Annual Report.

Board of Directors

(i) Board Responsibilities and Delegation

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

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

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

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



Board of Directors (Continued)

(ii) Board Composition

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

Non-Executive Directors

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

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

Executive Directors

Ms. TANG Mei Lai, Metty

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

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

Ms. IP Kit Yee, Kitty

Mr. CHEUNG Kam Shing

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. CHAN Nim Leung, Leon

Mr. WONG San

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

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

(iii) Chairman and Chief Executive Officer

The roles of Chairman and managing director of the Company are separated.

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

Ms. WONG and Mr. Pierre WONG are the Managing Directors of the Company. The Managing Directors of the Company carry out the function of chief executive officer of the Company and their role and responsibilities are set out on pages 16 to 17 of this Annual Report. The Managing Directors shall report directly to the Board. The senior executives of the respective strategic business units of the Group are responsible for performing and overseeing the business operation of the respective business units.



Board of Directors (Continued)

(iv) Board Meetings and Directors' Attendance

During the year ended 31 December 2014, the Board held six meetings to discuss and approve, inter alia, the interim and annual results and other significant issues of the Group. Individual attendance records of each of the Directors at the respective Board, committees and general meetings are set out on page 27 of this Annual Report.

Pursuant to code provisions A.1.1, A.1.3 and A.7.1 of the Code, board meetings should be held at least four times a year at approximately quarterly intervals, notice of at least 14 days should be given of a regular board meeting, and relevant agenda as well as accompanying board papers should be sent, in full, to all directors at least 3 days before the intended date of a regular board meeting. During the year, the Board held at least one Board meeting in each quarter and a total of six Board meetings were held. In respect of the second quarter, two Board meetings were held. However, due to the urgency of certain business which required prompt discussion of the Board, the requirements for service of the required length of notice and other documents under the above code provisions A.1.3 and A.7.1 were not satisfied in respect of a regular Board meeting held in the second quarter.

(v) Non-Executive Directors

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

Throughout the year ended 31 December 2014 and up to the date of this Annual Report, the Board has at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three Independent Non-Executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the requirements under Rule 3.10A of the Listing Rules relating to the appointment of the Independent Non-Executive Directors representing at least one-third of the Board. The Board has received from each Independent Non-Executive Director an annual written confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and considered that all the Independent Non-Executive Directors are independent.

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

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

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



Corporate Governance Report

Board of Directors (Continued)

(vii) Directors' Training

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

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

During the year, the Company arranged an in-house seminar covering corporate governance, regulatory development and other suitable topics with training materials provided. A summary of the record of training received by the Directors during the year 2014 is as follows:

Directors	Training on corporate governance, regulatory development and other suitable topics
Non-Executive Directors	
Mr. WONG Kin Yip, Freddie	✓
Mr. KAN Chung Nin, Tony (<i>Appointed on 15 March 2014</i>)	✓
Executive Directors	
Ms. TANG Mei Lai, Metty	✓
Ms. WONG Ching Yi, Angela	✓
Mr. WONG Tsz Wa, Pierre	✓
Ms. IP Kit Yee, Kitty	✓
Mr. CHEUNG Kam Shing	✓
Independent Non-Executive Directors	
Mr. KOO Fook Sun, Louis	✓
Mr. SUN Tak Chiu	✓
Mr. CHAN Nim Leung, Leon	✓
Mr. WONG San	✓



Board Committees

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

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

(i) Executive Committee

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

(ii) Audit Committee

The Audit Committee was established on 4 August 1998 and is chaired by Mr. KOO Fook Sun, Louis with four other members namely, Mr. SUN Tak Chiu, Mr. CHAN Nim Leung, Leon, Mr. WONG San and Mr. KAN Chung Nin, Tony (appointed on 15 March 2014), majority of whom being the Independent Non-Executive Directors. In compliance with Rule 3.10(2) of the Listing Rules, two of the members possess the appropriate professional qualifications or accounting or related financial management expertise. The written terms of reference of the Audit Committee are accessible on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2014, the Audit Committee held three meetings to, inter alia, discuss and review the interim and annual financial statements, the submission and publication of the interim and annual reports, and the internal audit plan and functions of the Group. There was no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor of the Company.

The major duties of the Audit Committee mainly include:

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



Corporate Governance Report

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

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

For the year ended 31 December 2014, the Company had in place arrangement for employees and stakeholders of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

(iii) Remuneration Committee

The Remuneration Committee was established on 10 March 2005 with written terms of reference posted on the websites of the Company and the Stock Exchange. The Remuneration Committee is chaired by Mr. SUN Tak Chiu, being the Independent Non-Executive Director, with six other members namely, Mr. WONG, Ms. WONG, Mr. KOO Fook Sun, Louis, Mr. CHAN Nim Leung, Leon, Mr. WONG San and Mr. KAN Chung Nin, Tony (appointed on 15 March 2014), majority of whom being the Independent Non-Executive Directors.

The Remuneration Committee held four meetings during the year to review and determine the remuneration package of the relevant Executive Directors and review the Group's 2014 overall remuneration and recommend the remuneration of the relevant Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval. The principal role and responsibilities of the Remuneration Committee mainly include reviewing and determining the remuneration policy and packages of the individual Executive Directors and senior management of the Group and recommending the remuneration of the Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval. No Director or senior management was involved in the determination of his/her own remuneration package.

The remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

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

Details of Directors' emoluments and five highest paid individuals during the year are set out in note 10 to the financial statements on pages 86 to 88 of this Annual Report.



Board Committees (Continued)

(iv) Nomination Committee

The Nomination Committee was established on 10 March 2005 with written terms of reference accessible on the websites of the Company and the Stock Exchange. The Nomination Committee is chaired by Mr. KOO Fook Sun, Louis, being the Independent Non-Executive Director, with six other members namely, Mr. WONG, Ms. WONG, Mr. SUN Tak Chiu, Mr. CHAN Nim Leung, Leon, Mr. WONG San and Mr. KAN Chung Nin, Tony (appointed on 15 March 2014), majority of whom being the Independent Non-Executive Directors.

During the year, the Nomination Committee held four meetings to nominate candidate for directorship according to his skills, knowledge and experience etc, assess the independence of the Independent Non-Executive Directors, review and make recommendation to the Board on the Board composition and the re-designation of Director. The retirement and rotation plan of the Directors was also reviewed by the Nomination Committee during the year.

During the year, Mr. KAN Chung Nin, Tony was appointed as a Non-Executive Director. In considering his appointment, the Nomination Committee assessed him on criteria such as integrity, experience, skill and ability to commit time and effort to carry out his duties and responsibilities effectively, etc. and made recommendation to the Board for approval.

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

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



Corporate Governance Report

Attendance Records at the Board, Committees and General Meetings

The attendance records of the individual Directors at the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings for the year ended 31 December 2014 are set out as follows:

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

Note: Mr. KAN Chung Nin, Tony was appointed as a Non-Executive Director, a member of the Audit Committee, Nomination Committee and Remuneration Committee with effect from 15 March 2014.

Code of Conduct Regarding Securities Transactions by Directors

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

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2014.

Directors' Interests

Details of Directors' interests in shares, underlying shares and debentures of the Company and the associated corporation are set out in the Report of Directors on pages 45 to 46 of this Annual Report.

Directors' Responsibility for the Financial Statements

The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs as at 31 December 2014 and of the Group's results and cash flows for the year ended 31 December 2014. In preparing the financial statements for the year ended 31 December 2014, the Directors selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The reporting responsibilities of the Company's independent auditor on the 2014 financial statements of the Group is set out in the "Independent Auditor's Report" on page 57 of this Annual Report.

Corporate Governance Function

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

Auditor's Remuneration

During the year ended 31 December 2014, the remuneration payable or paid to the Group's independent external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group is set out as follows:

	Fees payable or paid	
	2014 HK\$'000	2013 HK\$'000
Services rendered for the Group		
Audit Services	3,234	3,055
Interim Results Review	916	923
Non-Audit Services (include taxation and other professional services)	219	285
Total Fees	<u>4,369</u>	<u>4,263</u>



Internal Controls

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

During the year ended 31 December 2014, the Board, with the assistance of the Internal Audit Department and the Audit Committee, conducted an annual review on the effectiveness of the Group's system of internal control. The review also included the consideration of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Company Secretary

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

Communication with Shareholders and Investor Relations

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

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

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

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



Communication with Shareholders and Investor Relations (Continued)

The 2014 annual general meeting of the Company was held on 26 June 2014. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including re-election of retiring Directors, and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Directors including Chairman of the Board, Chairman and members of the Audit Committee, Nomination Committee and Remuneration Committee as well as the representative of PricewaterhouseCoopers attended the 2014 annual general meeting and had effective communication with shareholders of the Company.

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

Shareholders' Rights

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

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

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

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

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

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

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

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

(iii) Shareholders' Enquiries

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



Corporate Social Responsibility Report

Charity and Volunteer Works

1. Sponsoring “Project WeCan”

- Supporting “Project WeCan” through sponsorship, “Midland Charitable Foundation” will donate a total of HK\$2.5 million to support HKSKH Bishop Hall Secondary School to improve the learning environment via a wide spectrum of funding projects and volunteer services in five years. A few projects have been completed in the first stage, which include offering funds to the school to set up a multimedia learning centre and a language learning centre, funding students to take part in the “Young Innovators Bazaar 2015” as well as participating in the school’s sports days, etc.



2. “Outstanding Corporate Social Responsibility Award”

- Apart from offering professional services, the Group is also committed to community giving and practising corporate social responsibility. Its work has been recognised by magazine Capital Entrepreneur, which awarded Midland the “Outstanding Corporate Social Responsibility Award”. Midland is the only property agency to have received the award. Ms. Angela WONG, the Group’s Deputy Chairman was present at the award-giving ceremony to receive the honour where she also shared the Company’s experience, setting a good example for the industry.

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

- For years, the Group has been sponsoring “Lifeline Express Charity Run/Walk”. Its frontline and supporting staff as well as the volunteer team, together with their family and friends, joined hands to raise funds for the blind. Through helping the cataract patients in poor areas of Mainland China, our spirit of “From the Community, For the Community” has been, once again, manifested.





4. “2013/14 Family-Friendly Employers Award”

- As a people-oriented corporate, the Group actively implements family-friendly policies so that employees can better use their time to commit to their family duties. In the “Family-Friendly Employers Award Scheme” organised by the Family Council, Midland was presented with the “2013/14 Family-Friendly Employers Award”.



5. Named “Manpower Developer 1st”

- As always, the Group regards talents training and development as its responsibility. Midland University has been established to foster the elites in the industry, striving to promote the professionalism of the industry. We were conferred the “Manpower Developer 1st” title in the 5th “ERB Manpower Developer Award Scheme” organised by the Employees Retraining Board. Through which, the philosophy of “People-oriented, Development-targeted” has been uplifted.

6. Fully supporting activities organised by The Community Chest

- Over the years, the Group has been supporting charity events under The Community Chest by sponsoring and dispatching teams to take part in “The Community Chest’s Walk for Millions” and “SHKP Vertical Run For Charity – Race to Hong Kong ICC” (under the category of Corporate Relay), showing our good deeds with concerted efforts in raising funds for social services.





Corporate Social Responsibility Report

7. Being a priority sponsor of ORBIS “World Sight Day” for five consecutive years

Coming to the fifth year, the Group again became the Early Bird Sponsor for the Pin Campaign under ORBIS “World Sight Day” to contribute in eliminating blindness. Apart from donation from “Midland Charitable Foundation”, staff also actively took part in the charity event. ORBIS had presented a certificate of appreciation to the Group to thank its unflinching support.



8. Winning the third place in “Hike for Hospice 2014”

The Group participated in “Hike for Hospice 2014”, a fund-raising hike held by the Society for the Promotion of Hospice Care. It is the Group’s 10th consecutive year in taking part in the charity hike. The frontline team showed their excellence and gave their best in the event, winning the 2nd Runner Up in the Short Route Team Category.

9. “Employer of Choice Award 2014”

The Group values its talents. It not only offers training to its staff, but also creates a good working environment for its employees and lets them grow together with the Company and share our success together. The work was recognised and the Group was selected among other companies to win the “Employer of Choice Award 2014”.





10. Supporting the St. James' Settlement

- The Group showed its continuous support to St. James' Settlement by sponsoring its Kennedy Road Redevelopment Project, co-organising the "Community Classroom" workshop for grassroots students, participating in its food bank's hot meal voluntary services and etc. to reward the community.



11. Named "Caring Corporate" by The Lok Sin Tong Benevolent Society, Kowloon

- The Group has been supporting the works of The Lok Sin Tong Benevolent Society, Kowloon. The volunteer team of the Group took active participation in the organisation's charity visits including "LST Lunar New Year Volunteer Event 2014", "LST Buddy Volunteer Event" to care about the ones in need. The Group was presented a certificate of appreciation for being a "Caring Corporate".

12. "Joint Energy Saving Award 2014"

- The Group values and puts efforts in environmental protection and energy saving and sees it as its corporate social responsibility. In the GREEN PLUS Recognition Award 2014 held by CLP Power Hong Kong Limited, the Group was awarded the "Joint Energy Saving Award".





Report of Directors

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2014.

Principal Activities and Segment Information

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 36(i) to the financial statements.

An analysis of the Group's performance for the year ended 31 December 2014 by operating segment is set out in note 7 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 58 of this Annual Report.

The Directors did not declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements.

Charitable Donations

During the year, the Group made charitable donations totalling HK\$860,000 (2013: HK\$821,000).

Property and Equipment

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

Investment Properties

Details of the movements in investment properties of the Group during the year are set out in note 18 to the financial statements. Details of the properties held for investment purposes are set out on page 115 of this Annual Report.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 26 to the financial statements.



Pre-Emptive Rights

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

Distributable Reserves

As at 31 December 2014, the reserves of the Company available for distribution amounted to HK\$701,481,000 (2013: HK\$701,289,000).

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116 of this Annual Report.

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

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

Board of Directors

The Directors who held office during the year ended 31 December 2014 and up to the date of this Annual Report are as follows:

Non-Executive Directors

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

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

Executive Directors

Ms. TANG Mei Lai, Metty

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

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

Ms. IP Kit Yee, Kitty

Mr. CHEUNG Kam Shing

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. CHAN Nim Leung, Leon

Mr. WONG San

In accordance with bye-law 87 of the Company's bye-laws, Ms. WONG Ching Yi, Angela, Mr. WONG Tsz Wa, Pierre, Mr. CHEUNG Kam Shing and Mr. CHAN Nim Leung, Leon shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, will offer themselves for re-election.



Report of Directors

Directors' Service Contracts

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

Directors' Interests in Contracts of Significance

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

Share Option Schemes

Share Option Scheme of the Company

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

(a) Purpose

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

(b) Eligible persons

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



Share Option Schemes (Continued)

Share Option Scheme of the Company (Continued)

(c) Total number of shares available for issue

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

(d) Maximum entitlement of each eligible person

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

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

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

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

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



Share Option Schemes (Continued)

Share Option Scheme of the Company (Continued)

(f) Time of exercise of option

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

(g) Acceptance of offer

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

(h) Basis of determining the exercise price

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

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

(i) Remaining life of the Share Option Scheme

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

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

Share Option Schemes (Continued)

Share Option Scheme of the Company (Continued)

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

Name of Director	Date of grant	Exercise price per share (HK\$)	Number of share options				Balance outstanding as at 31 December 2014	Exercisable period
			Balance outstanding as at 1 January 2014	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year		
Mr. WONG	21 July 2011	4.29	3,604,580	-	-	-	3,604,580	1 August 2011 to 31 July 2019
	21 July 2011	4.29	3,604,580	-	-	-	3,604,580	1 January 2012 to 31 December 2019
Ms. TANG Mei Lai, Metty	27 October 2011	3.81	3,604,580	-	-	-	3,604,580	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3,604,580	-	-	-	3,604,580	1 October 2013 to 30 September 2021
Ms. WONG	27 October 2011	3.81	3,604,580	-	-	-	3,604,580	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3,604,580	-	-	-	3,604,580	1 October 2013 to 30 September 2021
Mr. KOO Fook Sun, Louis	21 July 2011	4.29	150,000	-	-	-	150,000	1 August 2011 to 31 July 2019
Mr. SUN Tak Chiu	21 July 2011	4.29	150,000	-	-	-	150,000	1 August 2011 to 31 July 2019
Total			<u>21,927,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,927,480</u>	

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

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



Report of Directors

Share Option Schemes (Continued)

Share Option Scheme of Midland IC&I

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

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

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

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

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

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

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

(c) Total number of shares available for issue

The total number of shares of Midland IC&I available for issue for all outstanding options as at the date of this Annual Report is 150,000,000, representing approximately 1.09% of the issued share capital of Midland IC&I. The total number of shares of Midland IC&I available for issue in respect of options which may be granted is 680,000,000, representing approximately 4.96% of the issued share capital of Midland IC&I as at the date of this Annual Report.

(d) Maximum entitlement of each eligible person

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

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



Share Option Schemes (Continued)

Share Option Scheme of Midland IC&I (Continued)

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

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

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

(f) Time of exercise of option

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

(g) Acceptance of offer

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

(h) Basis of determining the exercise price

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

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



Report of Directors

Share Option Schemes (Continued)

Share Option Scheme of Midland IC&I (Continued)

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

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

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

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

Share Option Schemes (Continued)

Share Option Scheme of Midland IC&I (Continued)

Name of director	Date of grant	Exercise price per share (HK\$)	Number of share options					Balance outstanding as at 31 December 2014	Exercisable period
			Balance outstanding as at 1 January 2014	Granted during the year	Cancelled/lapsed during the year	Exercised during the year	Balance outstanding as at 31 December 2014		
Directors of the Company									
Mr. Pierre WONG	10 December 2014	0.044 (Note)	-	30,000,000	-	-	30,000,000	15 December 2014 to 14 December 2019	
	10 December 2014	0.044 (Note)	-	30,000,000	-	-	30,000,000	15 December 2015 to 14 December 2019	
	10 December 2014	0.044 (Note)	-	30,000,000	-	-	30,000,000	15 December 2016 to 14 December 2019	
Ms. IP Kit Yee, Kitty	10 December 2014	0.044 (Note)	-	3,330,000	-	-	3,330,000	15 December 2014 to 14 December 2019	
	10 December 2014	0.044 (Note)	-	3,330,000	-	-	3,330,000	15 December 2015 to 14 December 2019	
	10 December 2014	0.044 (Note)	-	3,340,000	-	-	3,340,000	15 December 2016 to 14 December 2019	
Mr. CHEUNG Kam Shing	10 December 2014	0.044 (Note)	-	5,000,000	-	-	5,000,000	15 December 2014 to 14 December 2019	
	10 December 2014	0.044 (Note)	-	5,000,000	-	-	5,000,000	15 December 2015 to 14 December 2019	
	10 December 2014	0.044 (Note)	-	5,000,000	-	-	5,000,000	15 December 2016 to 14 December 2019	
Total			<u>20,000,000</u>	<u>130,000,000</u>	<u>-</u>	<u>-</u>	<u>150,000,000</u>		

Note: The closing price of the shares of Midland IC&I immediately before the date of grant of such share options was HK\$0.043.

Information on the value of options granted and the accounting policy for share options granted under the Midland IC&I Share Option Scheme is provided in notes 26(c)(iii) and 3(q)(iii) to the financial statements respectively.

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



Report of Directors

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

As at 31 December 2014, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

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

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

Notes:

- These shares were held by Sunluck Services Limited. Mr. WONG indirectly owned 100% interests in Sunluck Services Limited through his wholly-owned company, namely Southern Field Trading Limited.
- These underlying shares were held by Mr. WONG by virtue of the interests in the share options of the Company granted to him.
- These underlying shares represent the interests in the share options of the Company held by Ms. TANG Mei Lai, Metty ("Ms. TANG"), the spouse of Mr. WONG, by virtue of the interests in the share options of the Company granted to her.
- These shares represent the shares held directly or indirectly by Mr. WONG, the spouse of Ms. TANG, as ultimate beneficial owner.
- These underlying shares were held by Ms. TANG by virtue of the interests in the share options of the Company granted to her.

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

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

Notes: (Continued)

6. These underlying shares represent the interests in the share options of the Company held by Mr. WONG, the spouse of Ms. TANG, by virtue of the interests in the share options of the Company granted to him.
7. These underlying shares were held by Ms. WONG by virtue of the interests in the share options of the Company granted to her.
8. These underlying shares were held by Mr. KOO Fook Sun, Louis by virtue of the interests in the share options of the Company granted to him.
9. These underlying shares were held by Mr. SUN Tak Chiu by virtue of the interests in the share options of the Company granted to him.
10. Details of the share options granted by the Company to the above Directors are set out in the sub-section headed "Share Option Scheme of the Company" under the section headed "Share Option Schemes".

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

Name of associated corporation	Name of Director	Number of ordinary shares		Number of underlying shares		Total	Approximate percentage of issued share capital of associated corporation
		Personal interest/ Beneficial owner	Family interest/ Interest of spouse	Personal interest/ Beneficial owner	Family interest/ Interest of spouse		
Midland IC&I	Mr. Pierre WONG	2,000,000	1,320,000 (Note 11)	90,000,000 (Note 12)	–	93,320,000	0.68%
	Ms. IP Kit Yee, Kitty	–	–	10,000,000 (Note 13)	–	10,000,000	0.07%
	Mr. CHEUNG Kam Shing	–	–	15,000,000 (Note 14)	–	15,000,000	0.11%

Notes:

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

Save as disclosed above, as at 31 December 2014, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



Report of Directors

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this Annual Report, 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' or Other Persons' Interests in Shares and Underlying Shares

As at 31 December 2014, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Number of ordinary shares	Holding capacity/ Nature of interest	Approximate percentage of issued share capital of the Company
Southern Field Trading Limited (<i>Note 1</i>)	161,340,144 (L)	Interest in controlled corporation/ Corporate interest	22.47%
Sunluck Services Limited (<i>Note 1</i>)	161,340,144 (L)	Beneficial owner/Beneficial interest	22.47%
Apex Benchmark Limited	75,666,000 (L)	Beneficial owner/Beneficial interest	10.54%
Edgbaston Asian Equity Trust (<i>Note 2</i>)	35,982,000 (L)	Beneficial owner/Beneficial interest	5.01%
Edgbaston Investment Partners Limited (<i>Note 2</i>)	50,322,000 (L)	Investment manager/Other interest	7.01%
Massachusetts Financial Services Company (<i>Note 3</i>)	36,045,000 (L)	Investment manager/Other interest	5.02%
Sun Life Financial, Inc. (<i>Note 3</i>)	36,045,000 (L)	Investment manager/Other interest	5.02%
UBS AG (<i>Note 4</i>)	7,111,844 (L)	Beneficial owner/Beneficial interest	0.99%
	8,196,000 (L)	Security interest/Other interest	1.14%
	24,770,000 (L)	Interest in controlled corporation/ Corporate interest	3.45%
	4,035,548 (S)	Beneficial owner/Beneficial interest	0.56%
	24,272,000 (S)	Interest in controlled corporation/ Corporate interest	3.38%

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

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

Notes:

1. The two references to 161,340,144 shares relate to the same block of shares of the Company as disclosed under Mr. WONG in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".
2. Edgbaston Investment Partners Limited ("Edgbaston Investment") was the investment manager for Edgbaston Asian Equity Trust ("Edgbaston Trust"). To the best knowledge of the Company, a part of Edgbaston Trust's interest shown above was duplicated in the above interest of Edgbaston Investment.
3. Details of the interest in long position of the 36,045,000 shares in which Sun Life Financial, Inc. ("SLF") was deemed to be interested were as follows:

Massachusetts Financial Services Company ("MFS") held (through itself and its 100% controlled corporations) an aggregate of 36,045,000 shares. MFS was a 90.89% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. which was a 99.87% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(US)I"). SLF(US)I was a wholly-owned subsidiary of Sun Life Financial (U.S.) Holdings, Inc. which was a wholly-owned subsidiary of Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc. ("SLACC"). SLACC was a wholly-owned subsidiary of Sun Life Global Investments Inc. which was a wholly-owned subsidiary of SLF.

MFS was a subsidiary of SLF. Accordingly, MFS's interest in 36,045,000 shares was duplicated in the interest of SLF.
4. The interest of UBS AG included derivative interest in 530,000 shares of the Company (being long position and unlisted physically settled derivatives).

Save as disclosed above, as at 31 December 2014, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Management Contracts

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

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group during the year ended 31 December 2014. The Group had no major suppliers due to the nature of the principal activities of the Group.

Related Party Transactions

The significant related party transactions entered into by the Group during the year set out in note 35 to the financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

Continuing Connected Transactions

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



Report of Directors

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

1. A tenancy agreement was made on 9 December 2014 between Midland Corporate Services Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Moral Winner Investment Limited ("Moral Winner"), a company indirectly wholly owned by Mr. WONG, the Chairman, Non-Executive Director and substantial shareholder of the Company, as landlord whereby the landlord agreed to let the premises located at Rooms 603-604 on 6th Floor of the building known as "No. 33 Argyle" at Nos. 611-617 Shanghai Street and No. 33 Argyle Street, Kowloon as office of the Group for a term of two years commencing from 15 October 2014 to 14 October 2016 at a monthly rental of HK\$26,500 without rent-free period and option to renew.
2. A tenancy agreement was made on 9 December 2014 between World Up Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Titan Speed Limited, a company wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Office 910 on 9th Floor, Tower Two of Lippo Centre, No. 89 Queensway, Hong Kong as office of the Group for a term of one year commencing from 18 October 2014 to 17 October 2015 at a monthly rental of HK\$97,100 without rent-free period and option to renew.
3. A tenancy agreement was made on 21 August 2014 between Midland Alliance Limited, an indirect wholly-owned subsidiary of Midland IC&I, as tenant and Shun Yik International Limited, a company wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at No.17, 7th Floor, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon, Hong Kong as office of the Group for a term of one year and eight months and seven days commencing from 25 August 2014 to 30 April 2016 at a monthly rental of HK\$33,000 without rent-free period and option to renew.

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

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

Continuing Connected Transactions (Continued)

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

6. A tenancy agreement was made on 23 September 2013 between World Up Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Moral Winner, a company indirectly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Room 1401 on 14th Floor of the building known as "No. 33 Argyle" at Nos. 611-617 Shanghai Street and No. 33 Argyle Street, Kowloon as office of the Group for a term of two years and eight months commencing from 1 October 2013 to 31 May 2016 at a monthly rental of HK\$16,140 with rent-free period from 1 October 2013 to 7 October 2013.
7. A tenancy agreement was made on 23 September 2013 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Flat E on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 1 November 2013 to 31 October 2015 at a monthly rental of HK\$51,300 without rent-free period.
8. A tenancy agreement was made on 23 September 2013 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Unit No.4 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as office of the Group for a term of two years commencing from 1 November 2013 to 31 October 2015 at a monthly rental of HK\$47,200 without rent-free period.
9. A licence agreement was made on 23 September 2013 between Great Century (H.K.) Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner, a company indirectly wholly owned by Mr. WONG, as licensor whereby a licence was granted to install signage(s) at the external wall facing Argyle Street of the building known as "No. 33 Argyle" at Nos. 611-617 Shanghai Street and No. 33 Argyle Street, Kowloon for marketing and promotion of the real estate agency business of the Group for a term of two years commencing from 1 November 2013 to 31 October 2015 at a monthly licence fee of HK\$65,000.
10. A licence agreement was made on 23 September 2013 between Crown Lucky Investment Limited, an indirect wholly-owned subsidiary of Midland IC&I, as licensee and Moral Winner, a company indirectly wholly owned by Mr. WONG, as licensor whereby a licence was granted to install signage(s) at the lower part of the external wall facing Shanghai Street of the building known as "No. 33 Argyle" at Nos. 611-617 Shanghai Street and No. 33 Argyle Street, Kowloon for marketing and promotion of the real estate agency business of the Group for a term of two years commencing from 1 November 2013 to 31 October 2015 at a monthly licence fee of HK\$68,000.
11. A tenancy agreement was made on 20 August 2013 between 港置地產代理(深圳)有限公司, an indirect wholly-owned subsidiary of the Company, as tenant and Ms. WONG, Deputy Chairman, Managing Director and Executive Director of the Company (as at the date of the agreement, Ms. WONG was the Deputy Chairman, Deputy Managing Director and Executive Director of the Company) and daughter of Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Part 1 of Shop 107B, Floors 1#, 2#, City of Poly, Chuang Ye Road North, Nanyou Road East, Nanshan District, Shenzhen, the People's Republic of China (中國深圳市南山區南油大道東創業路北保利城花園1#2#樓商舖107B之一) as a branch for the real estate agency business of the Group for a term of two years commencing from 20 August 2013 to 19 August 2015 at a monthly rental of RMB17,000 (equivalent to approximately HK\$21,368) with rent-free period from 20 August 2013 to 3 September 2013. The tenancy agreement was early terminated on 3 September 2014 in accordance with the terms of the said tenancy agreement.



Report of Directors

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

12. A tenancy agreement was made on 28 February 2013 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Unit No.5 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as office of the Group for a term of two years commencing from 1 April 2013 to 31 March 2015 at a monthly rental of HK\$43,000 without rent-free period.
13. A tenancy agreement was made on 28 February 2013 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to grant a licence to use Car Parking Spaces Nos.P18 and P19 on the Basement Floor of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as car parks for staff of the Group for a term of two years and one month commencing from 1 March 2013 to 31 March 2015 at a monthly rental of HK\$4,500 without rent-free period.
14. A tenancy agreement was made on 16 January 2013 between Midland Leasing (XXIV) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company directly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Flat D on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 10 January 2013 to 9 January 2015 at a monthly rental of HK\$61,000 without rent-free period.

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

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

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

16. A tenancy agreement was made on 18 October 2012 between World Up Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Titan Speed Limited, a company wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Office 910 on 9th Floor, Tower Two of Lippo Centre, No. 89 Queensway, Hong Kong as office of the Group for a term of two years commencing from 18 October 2012 to 17 October 2014 at a monthly rental of HK\$106,386 without rent-free period and option to renew.
17. A tenancy agreement was made on 15 October 2012 between Midland Corporate Services Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Moral Winner, a company indirectly wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Rooms 603–604 on 6th Floor of the building known as "No. 33 Argyle" at Nos. 611–617 Shanghai Street and No. 33 Argyle Street, Kowloon as office of the Group for a term of two years commencing from 15 October 2012 to 14 October 2014 at a monthly rental of HK\$24,425 with rent-free period from 15 October 2012 to 21 October 2012 and without option to renew.



Continuing Connected Transactions (Continued)

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

18. A tenancy agreement was made on 30 April 2012 between Midland Alliance Limited, an indirect wholly-owned subsidiary of Midland IC&I, as tenant and Shun Yik International Limited, a company wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Nos.11-16, 7th Floor, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon, Hong Kong as office of the Group for a term of two years commencing from 1 May 2012 to 30 April 2014 at a monthly rental of HK\$144,601 without rent-free period and option to renew.
19. A tenancy agreement was made on 16 April 2012 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Vision Dynasty Limited, a company wholly owned by Mr. WONG, as landlord whereby the landlord agreed to let the premises located at Shop E on the Lower Ground Floor and Utility Room at Rear of Splendid Place, No.39 Tai Koo Shing Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 16 April 2012 to 15 April 2014 at a monthly rental of HK\$108,900 without rent-free period and option to renew.

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 48 to 52 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.



Report of Directors

Changes in Directors' Information

Changes in the information of Directors of the Company since the disclosure made in the interim report of the Company for the six months ended 30 June 2014, that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Ms. TANG has been re-designated from Managing Director and Executive Director to Non-Executive Director of Midland IC&I with effect from 11 December 2014. Ms. TANG will continue to serve as the Chairman of Midland IC&I. Ms. TANG's remuneration in Midland IC&I has been reduced and with effect from 11 December 2014, Ms. TANG is entitled to a director's fee of HK\$120,000 per annum which Ms. TANG has agreed to pay to the Company.
2. Ms. WONG has been re-designated from Deputy Chairman and Deputy Managing Director to Deputy Chairman and Managing Director of the Company with effect from 11 December 2014. With effect from 11 December 2014, Ms. WONG is entitled to an annual director's fee of HK\$200,000, monthly salary of HK\$275,000 and a profit sharing to be determined based on the Group's performance and calculated according to the profits arising from the Group in the relevant financial year ("Profit Sharing"). The percentage for calculating Ms. WONG's Profit Sharing has been adjusted upwards.

With effect from 1 April 2015, the monthly salary of Ms. WONG will be adjusted to HK\$508,334 and subject to the fulfillment of the condition set by the Board, the percentage for calculating Ms. WONG's Profit Sharing will be further adjusted upwards. The monthly salary of Ms. WONG will be adjusted to HK\$608,334 with effect from 1 April 2016.

3. The term of appointment of Ms. IP Kit Yee, Kitty has been changed from 3 years to 2 years with effect from 25 October 2014.
4. Pursuant to the new service agreement entered into between Mr. Pierre WONG and the Company, Mr. Pierre WONG has been appointed for a term of 2 years with effect from 1 April 2015 and he will be entitled to an annual director's fee of HK\$200,000, monthly salary of HK\$655,417 and Profit Sharing. The percentage for calculating Mr. Pierre WONG's Profit Sharing has been adjusted upwards, and under the new service agreement, subject to the fulfillment of the condition set by the Board, such percentage will be further adjusted upwards. The monthly salary of Mr. Pierre WONG will be adjusted to HK\$755,417 with effect from 1 April 2016.
5. Mr. CHAN Nim Leung, Leon has resigned as an Independent Non-Executive Director of PanAsialum Holdings Company Limited, a listed company in Hong Kong, with effect from 4 December 2014.

Retirement Scheme

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

Principal Subsidiaries and Joint Ventures

Details of the Company's principal subsidiaries and joint ventures as at 31 December 2014 are set out in note 36 to the financial statements.

Borrowings

Particulars of borrowings of the Group as at 31 December 2014 are set out in note 29 to the financial statements.



Emolument Policy

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

Directors' Interest in Competing Business

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of at least 25% of the 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 2014 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, will offer itself for re-appointment as auditor at the AGM. A resolution will be proposed at the AGM to re-appoint it and to authorise the Board to fix its remuneration.

On behalf of the Board

Midland Holdings Limited

WONG Kin Yip, Freddie

Chairman

Hong Kong, 26 March 2015



Management Discussion and Analysis

Liquidity and Financial Resources

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

As at 31 December 2014, the Group had cash and bank balances of HK\$1,764,485,000 (2013: HK\$1,434,300,000).

As at 31 December 2014, the interest-bearing bank and other borrowings of the Group amounted to HK\$426,118,000 (2013: HK\$424,011,000) with maturity profile set out as follows:

	2014 HK\$'000	2013 HK\$'000
Repayable		
Within 1 year	417,928	414,894
After 1 year but within 2 years	945	930
After 2 years but within 5 years	2,947	2,895
Over 5 years	4,298	5,292
	<u>426,118</u>	<u>424,011</u>

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

The gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 26.52% (2013: 27.76%). The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.5 (as at 31 December 2013: 1.7).

As at 31 December 2014, the Group had unutilised borrowing facilities amounting to approximately HK\$413,000,000 (2013: HK\$95,795,000) from various banks and an independent third party. The borrowing facilities were granted to the Group on a floating rate basis. The Directors will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

As at 31 December 2014, certain land and buildings and investment properties held by the Group of HK\$90,471,000 (2013: HK\$71,740,000) and HK\$58,310,000 (2013: HK\$1,000,000) were pledged to secure banking facilities granted to the Group. As at 31 December 2014, bank deposit of HK\$3,400,000 (2013: nil) and trade receivable of approximately HK\$307,620,000 (2013: nil) were pledged to secure the banking facilities granted to the Group.

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

The Group's business has been conducted primarily in Hong Kong and its monetary assets and liabilities are mainly denominated in Hong Kong Dollars. The Group is exposed to Renminbi exchange rate risk as the assets and liabilities of the Group's PRC subsidiaries were primarily denominated in Renminbi. Since it is expected that there shall not be sharp depreciation of Renminbi against Hong Kong Dollar in near future, the Directors consider that no hedging measure against Renminbi exchange rate exposure is necessary at this stage but will closely monitor its fluctuations.



Contingent Liabilities

Details of contingent liabilities of the Company and the Group at the end of the year are set out in note 32 to the financial statements.

Employee Information

As at 31 December 2014, the Group employed 9,211 full time employees (2013: 9,492) of which 8,076 were sales agents, 523 were back office supportive employees and 612 were frontline supportive employees.

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



Independent Auditor's Report



羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDLAND HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Midland Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 114, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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, 26 March 2015



Consolidated Income Statement

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenues	6	4,118,267	3,343,972
Other income	8	6,530	17,198
Staff costs	9	(2,192,571)	(1,876,427)
Rebate incentives		(736,558)	(481,580)
Advertising and promotion expenses		(78,864)	(100,508)
Operating lease charges in respect of office and shop premises		(575,644)	(615,200)
Impairment of receivables		(69,047)	(126,075)
Depreciation and amortisation costs		(53,663)	(58,057)
Other operating costs		(299,087)	(312,921)
Operating profit/(loss)	11	119,363	(209,598)
Finance income	12	3,196	6,187
Finance costs	12	(19,791)	(4,043)
Share of results of joint ventures	22	11,547	7,492
Profit/(loss) before taxation		114,315	(199,962)
Taxation	13	(39,557)	1,848
Profit/(loss) for the year		<u>74,758</u>	<u>(198,114)</u>
Profit/(loss) attributable to:			
Equity holders		63,975	(204,037)
Non-controlling interests		10,783	5,923
		<u>74,758</u>	<u>(198,114)</u>
Earnings/(loss) per share	16	HK cents	HK cents
Basic		8.91	(28.42)
Diluted		<u>8.91</u>	<u>(28.42)</u>



Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 HK\$'000	2013 HK\$'000
Profit/(loss) for the year	74,758	(198,114)
Other comprehensive income		
<i>Item that is reclassified to profit or loss</i>		
Release of currency translation differences arising from disposal of subsidiaries	–	11
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	1,090	(1,455)
Change in fair value of available-for-sale financial assets	2,265	448
	<u>3,355</u>	<u>(996)</u>
Total comprehensive income/(loss) for the year, net of tax	<u>78,113</u>	<u>(199,110)</u>
Total comprehensive income/(loss) for the year attributable to:		
Equity holders	67,330	(205,041)
Non-controlling interests	10,783	5,931
	<u>78,113</u>	<u>(199,110)</u>



Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	17	153,741	189,606
Investment properties	18	87,910	86,049
Land use rights	19	1,333	1,407
Interests in joint ventures	22	63,358	56,431
Available-for-sale financial assets	23	12,566	15,071
Deferred taxation assets	30	21,652	35,920
		<u>340,560</u>	<u>384,484</u>
Current assets			
Trade and other receivables	24	1,990,038	1,450,795
Taxation recoverable		1,337	3,627
Cash and bank balances	25	1,764,485	1,434,300
		<u>3,755,860</u>	<u>2,888,722</u>
Total assets		<u><u>4,096,420</u></u>	<u><u>3,273,206</u></u>



Consolidated Balance Sheet

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital	26	71,805	71,805
Share premium	26	223,505	223,505
Reserves	27	1,110,799	1,042,590
		<u>1,406,109</u>	<u>1,337,900</u>
Non-controlling interests		<u>200,431</u>	<u>189,648</u>
Total equity		<u>1,606,540</u>	<u>1,527,548</u>
Non-current liabilities			
Deferred taxation liabilities	30	<u>2,857</u>	<u>2,832</u>
Current liabilities			
Trade and other payables	28	2,041,096	1,311,153
Borrowings	29	426,118	424,011
Taxation payable		<u>19,809</u>	<u>7,662</u>
		<u>2,487,023</u>	<u>1,742,826</u>
Total liabilities		<u>2,489,880</u>	<u>1,745,658</u>
Total equity and liabilities		<u>4,096,420</u>	<u>3,273,206</u>
Net current assets		<u>1,268,837</u>	<u>1,145,896</u>
Total assets less current liabilities		<u>1,609,397</u>	<u>1,530,380</u>

WONG Ching Yi, Angela
Director

IP Kit Yee, Kitty
Director

Balance Sheet

As at 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	108,501	108,501
Current assets			
Other receivables, prepayments and deposits	24	690	1,135
Amounts due from subsidiaries	21	2,624,310	2,608,624
Taxation recoverable		627	596
Cash and bank balances	25	706	591
		<u>2,626,333</u>	<u>2,610,946</u>
Total assets		<u>2,734,834</u>	<u>2,719,447</u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital	26	71,805	71,805
Share premium	26	223,505	223,505
Reserves	27	740,615	740,423
Total equity		<u>1,035,925</u>	<u>1,035,733</u>
Current liabilities			
Other payables and accruals	28	21,166	19,938
Amounts due to subsidiaries	21	1,677,743	1,663,776
Total liabilities		<u>1,698,909</u>	<u>1,683,714</u>
Total equity and liabilities		<u>2,734,834</u>	<u>2,719,447</u>
Net current assets		<u>927,424</u>	<u>927,232</u>
Total assets less current liabilities		<u>1,035,925</u>	<u>1,035,733</u>

WONG Ching Yi, Angela
Director

IP Kit Yee, Kitty
Director



Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000 (note 27)	Equity holders HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2014	71,805	223,505	1,042,590	1,337,900	189,648	1,527,548
Comprehensive income						
Profit for the year	-	-	63,975	63,975	10,783	74,758
Other comprehensive income						
Currency translation differences	-	-	1,090	1,090	-	1,090
Change in fair value of available-for-sale financial assets	-	-	2,265	2,265	-	2,265
Total comprehensive income	-	-	67,330	67,330	10,783	78,113
Transactions with owners						
Employee share option scheme - value of employee services	-	-	879	879	-	879
	-	-	879	879	-	879
At 31 December 2014	71,805	223,505	1,110,799	1,406,109	200,431	1,606,540
At 1 January 2013	71,805	223,505	1,315,242	1,610,552	183,717	1,794,269
Comprehensive income						
Loss for the year	-	-	(204,037)	(204,037)	5,923	(198,114)
Other comprehensive income						
Release of currency translation differences arising from disposal of subsidiaries	-	-	8	8	3	11
Currency translation differences	-	-	(1,460)	(1,460)	5	(1,455)
Change in fair value of available-for-sale financial assets	-	-	448	448	-	448
Total comprehensive loss	-	-	(205,041)	(205,041)	5,931	(199,110)
Transactions with owners						
Employee share option scheme - value of employee services	-	-	4,194	4,194	-	4,194
2012 final dividend paid	-	-	(71,805)	(71,805)	-	(71,805)
	-	-	(67,611)	(67,611)	-	(67,611)
At 31 December 2013	71,805	223,505	1,042,590	1,337,900	189,648	1,527,548

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	31(a)	371,753	(132,676)
Hong Kong profits tax paid		(8,349)	(30,330)
Overseas taxation paid		(2,478)	(525)
Interest paid		(19,791)	(4,043)
Net cash from/(used in) operating activities		341,135	(167,574)
Cash flows from investing activities			
Net cash outflow from disposal of subsidiaries	31(b)	–	(1,506)
Purchase of property and equipment	17	(22,227)	(73,556)
Proceeds from disposal of property and equipment		55	46
Proceeds from disposal of investment properties		–	24,354
Return of capital from available-for-sale financial assets		4,178	7,604
Decrease in bank deposits with maturity over three months from date of deposits		128	160
Bank interest received		3,196	6,187
Dividend received from a joint venture		4,620	4,650
Net cash used in investing activities		(10,050)	(32,061)
Cash flows from financing activities			
Proceeds from bank and other loans		1,800,000	605,000
Repayment of bank and other loans		(1,768,912)	(220,896)
Dividends paid to equity holders		–	(71,805)
Increase in pledged bank deposit		(3,400)	–
Net cash from financing activities		27,688	312,299
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 January		1,400,191	1,284,678
Exchange differences		(2,879)	2,849
Cash and cash equivalents at 31 December	25	1,756,085	1,400,191



Notes to the Financial Statements

1 General information

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

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

The consolidated financial statements have been approved by the board of directors on 26 March 2015.

2 Basis of preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

(b) Amendments effective in 2014

HKAS 32 (Amendment)	Financial instrument: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

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



2 Basis of preparation (Continued)

(c) Standards and amendments which are not yet effective

The following new standards and amendments to standards have been issued but are not effective for 2014 and have not been early adopted by the Group.

Effective for the year ending 31 December 2015

Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

Effective for the year ending 31 December 2016

HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

Effective for the year ending 31 December 2017

HKFRS 15	Revenue from Contracts with Customers
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Effective for the year ending 31 December 2018

HKFRS 9	Financial Instruments
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The Group is assessing the impact of these new standards and amendments to standards. The adoption of these new standards and amendments to standards will not result in a significant impact on the results and financial position of the Group.

3 Summary of significant accounting policies

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

(a) Consolidation

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

(i) Subsidiaries

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



3 Summary of significant accounting policies (Continued)

(a) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

(ii) Separate financial statements

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

(iii) Joint ventures

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

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

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



3 Summary of significant accounting policies (Continued)

(b) Segment reporting

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Translation 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 other comprehensive income.

(iii) Group companies

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the 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.



3 Summary of significant accounting policies (Continued)

(d) Property and equipment

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

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

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

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

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

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

(e) Investment properties

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

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

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



3 Summary of significant accounting policies (Continued)

(e) Investment properties (Continued)

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

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

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

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

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

(g) Financial assets

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

(i) Loans and receivables

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



3 Summary of significant accounting policies (Continued)

(g) Financial assets (Continued)

(ii) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

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

(h) Offsetting financial instruments

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



3 Summary of significant accounting policies (Continued)

(i) Impairment of financial assets

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

(j) Trade and other receivables

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

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

(k) Cash and cash equivalents

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

(l) Share capital

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

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

(m) Trade and other payables

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

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



3 Summary of significant accounting policies (Continued)

(n) Borrowings

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

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

(o) Borrowing costs

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

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

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

(p) Taxation

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

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

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

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

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



3 Summary of significant accounting policies (Continued)

(q) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement scheme obligations

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

(iii) Share-based payment

(a) *Equity-settled share-based payment transactions*

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

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

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

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

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



3 Summary of significant accounting policies (Continued)

(q) Employee benefits (Continued)

(iii) Share-based payment (Continued)

(b) *Share-based payment transactions among group entities*

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

(r) Provisions

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

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

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

(s) Revenue recognition

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

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

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

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

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

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

(t) Operating leases

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



3 Summary of significant accounting policies (Continued)

(u) Dividend distribution

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

(v) Contingent liabilities

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

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

4 Financial risk management

(a) Financial risk factors

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

(i) Credit risk

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

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

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

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

(ii) Foreign exchange risk

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

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



Notes to the Financial Statements

4 Financial risk management (Continued)**(a) Financial risk factors (Continued)****(iii) Cash flow and fair value interest rate risk**

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

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

(iv) Liquidity risk

The Group maintains its own treasury function (the "Group Finance") to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient head-room on its undrawn facilities (note 29) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Finance. The Group Finance invests surplus cash in interest bearing time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room for the Group to meet the liquidity requirements. At 31 December 2014, the Group held cash and bank balances of HK\$1,764,485,000 (2013: HK\$1,434,300,000) that are expected to readily generate cash inflows for managing liquidity risk.

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

	Group		Company	
	On demand HK\$'000	Less than 1 year HK\$'000	On demand HK\$'000	Less than 1 year HK\$'000
At 31 December 2014				
Trade and other payables	–	2,041,096	–	21,166
Borrowings	427,609	–	–	–
	<u>427,609</u>	<u>2,041,096</u>	<u>–</u>	<u>21,166</u>
At 31 December 2013				
Trade and other payables	–	1,311,153	–	19,938
Borrowings	335,700	90,612	–	–
	<u>335,700</u>	<u>1,401,765</u>	<u>–</u>	<u>19,938</u>

4 Financial risk management (Continued)

(b) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio and the current ratio. The gearing ratio is calculated as total borrowings divided by total equity. The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 HK\$'000	2013 HK\$'000
Borrowings	426,118	424,011
Total equity	1,606,540	1,527,548
Gearing ratio	26.52%	27.76%

The current ratio of the Group, which represents a ratio of current assets over current liabilities, at 31 December 2014 and 2013 were as follows:

	2014 HK\$'000	2013 HK\$'000
Current assets	3,755,860	2,888,722
Current liabilities	2,487,023	1,742,826
Current ratio	1.5	1.7

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



Notes to the Financial Statements

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

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

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

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

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2014				
Assets				
Available-for-sale financial assets	—	12,566	—	12,566
As at 31 December 2013				
Assets				
Available-for-sale financial assets	—	15,071	—	15,071

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

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

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

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

The fair value estimation of investment properties is disclosed in note 18.



5 Critical accounting estimates and judgements

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

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

(i) Revenue recognition

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

(ii) Impairment of trade receivables

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

(iii) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 18.

(iv) Income taxes

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

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



Notes to the Financial Statements

6 Revenues

	2014 HK\$'000	2013 HK\$'000
Turnover		
Agency fee	4,078,198	3,297,104
Immigration consultancy services	33,820	27,713
Rental from investment properties	2,874	3,312
Web advertising	1,525	1,916
Internet education and related services	–	11,479
Other services	1,850	2,448
	<u>4,118,267</u>	<u>3,343,972</u>

7 Segment information

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

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

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

7 Segment information (Continued)

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

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

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

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

	2014 HK\$'000	2013 HK\$'000
Segment results for reportable segments	164,733	(162,110)
Corporate expenses	(33,231)	(43,505)
Fair value loss on financial assets at fair value through profit or loss	–	(12)
Realised (loss)/gain on available-for-sale financial assets	(592)	3,521
Finance income	3,196	6,187
Finance costs	<u>(19,791)</u>	<u>(4,043)</u>
Profit/(loss) before taxation per consolidated income statement	<u>114,315</u>	<u>(199,962)</u>



Notes to the Financial Statements

7 Segment information (Continued)

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

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

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

7 Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2014 HK\$'000	2013 HK\$'000
Segment assets	3,611,823	2,572,244
Corporate assets	450,379	649,971
Deferred taxation assets	21,652	35,920
Available-for-sale financial assets	12,566	15,071
Total assets per consolidated balance sheet	<u>4,096,420</u>	<u>3,273,206</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2014 HK\$'000	2013 HK\$'000
Segment liabilities	2,039,056	1,269,168
Corporate liabilities	447,967	473,658
Deferred taxation liabilities	2,857	2,832
Total liabilities per consolidated balance sheet	<u>2,489,880</u>	<u>1,745,658</u>

Geographical information:

	2014 HK\$'000	2013 HK\$'000
Hong Kong and Macau	3,476,196	2,676,326
PRC	642,071	667,646
Revenues from external customers	<u>4,118,267</u>	<u>3,343,972</u>

Revenues are attributed to locations where the transactions took place.



Notes to the Financial Statements

8 Other income

	2014 HK\$'000	2013 HK\$'000
Fair value gain on investment properties (note 18)	2,615	5,636
Gain on disposal of investment properties	–	2,254
Gain on disposal of subsidiaries	–	2,205
Realised (loss)/gain on available-for-sale financial assets	(592)	3,521
Others	4,507	3,582
	<u>6,530</u>	<u>17,198</u>

9 Staff costs, including directors' emoluments

	2014 HK\$'000	2013 HK\$'000
Salaries and allowances	754,585	798,721
Commissions	1,361,755	986,165
Pension costs for defined contribution plans	75,352	87,347
Share-based benefits	879	4,194
	<u>2,192,571</u>	<u>1,876,427</u>

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

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

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

10 Directors' emoluments and five highest paid individuals

(a) Directors' emoluments

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

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

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

In addition to the directors' emoluments disclosed above, the estimated value of share options granted to Mr. WONG Tsz Wa, Pierre, Ms. IP Kit Yee, Kitty and Mr. CHEUNG Kam Shing amounted to HK\$609,000, HK\$68,000 and HK\$102,000 respectively (2013: nil). Including the estimated value of share options granted, total remuneration of Mr. WONG Tsz Wa, Pierre, Ms. IP Kit Yee, Kitty and Mr. CHEUNG Kam Shing for the year ended 31 December 2014 amounted to HK\$7,288,000, HK\$2,811,000 and HK\$2,180,000 respectively.



Notes to the Financial Statements

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

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

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance Incentives HK\$'000	Discretionary bonus HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
Executive Directors						
Ms. TANG Mei Lai, Metty	–	4,226	387	–	30	4,643
Ms. WONG Ching Yi, Angela	30	1,804	–	–	17	1,851
Mr. WONG Tsz Wa, Pierre	–	5,396	–	–	15	5,411
Ms. IP Kit Yee, Kitty	–	2,258	–	–	15	2,273
Mr. CHEUNG Kam Shing	–	1,565	1,126	–	15	2,706
Mr. CHAN Kwan Hing (Resigned on 24 August 2013)	–	2,419	–	–	10	2,429
	30	17,668	1,513	–	102	19,313
Non-Executive Director						
Mr. WONG Kin Yip, Freddie	70	11,225	–	–	13	11,308
Independent Non-Executive Directors						
Mr. KOO Fook Sun, Louis	200	–	–	–	–	200
Mr. SUN Tak Chiu	200	–	–	–	–	200
Mr. CHAN Nim Leung, Leon	200	–	–	–	–	200
Mr. WONG San (Appointed on 24 September 2013)	54	–	–	–	–	54
Mr. WANG Ching Miao, Wilson (Resigned on 24 September 2013)	146	–	–	–	–	146
	800	–	–	–	–	800
	900	28,893	1,513	–	115	31,421

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

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

During the year ended 31 December 2014 and 2013, consultancy fee was paid to Mr. WONG Kin Yip, Freddie for consultancy service provided, details of which has been disclosed in note 35 to the financial statements.

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

(a) Directors' emoluments (Continued)

No director waived or agreed to waive any emoluments during the year (2013: nil). No incentive payment for joining the Group was paid or payable to any directors during the year (2013: nil). No compensation for loss of office was paid to directors during the year ended 31 December 2014 (2013: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include four (2013: five) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2013: nil) individual during the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and allowances	2,130	–
Discretionary bonus	551	–
Retirement benefit costs	17	–
	<u>2,698</u>	<u>–</u>

11 Operating profit/(loss)

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

	2014 HK\$'000	2013 HK\$'000
Loss on disposal of property and equipment	3,488	5,043
Direct operating expenses arising from investment properties that:		
– generated rental income	471	294
– did not generate rental income	34	159
Fair value loss on financial assets at fair value through profit or loss	–	12
Auditor's remuneration		
– audit services	3,682	3,466
– non-audit services	916	1,208
	<u>916</u>	<u>1,208</u>



Notes to the Financial Statements

12 Finance income and costs

	2014 HK\$'000	2013 HK\$'000
Finance income		
Bank interest income	3,196	6,187
Finance costs		
Interest on bank loans, overdrafts and other loans		
Wholly repayable within five years	(19,612)	(3,847)
Not wholly repayable within five years (Note)	(179)	(196)
	<u>(19,791)</u>	<u>(4,043)</u>
Finance (cost)/income, net	<u>(16,595)</u>	<u>2,144</u>

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

13 Taxation

	2014 HK\$'000	2013 HK\$'000
Current		
Hong Kong profits tax	22,524	11,544
Overseas	2,740	678
Deferred (note 30)	14,293	(14,070)
	<u>39,557</u>	<u>(1,848)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

13 Taxation (Continued)

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

	2014 HK\$'000	2013 HK\$'000
Profit/(loss) before taxation	114,315	(199,962)
Less: share of results of joint ventures	(11,547)	(7,492)
	<u>102,768</u>	<u>(207,454)</u>
Calculated at a taxation rate of 16.5% (2013: 16.5%)	16,957	(34,230)
Effect of different taxation rates in other countries	(3,309)	(7,149)
Income not subject to taxation	(873)	(3,468)
Expenses not deductible for taxation purposes	959	1,657
Utilisation of previously unrecognised tax losses	(6,441)	(479)
Deferred tax assets not recognised	32,279	42,552
Others	(15)	(731)
Taxation charge/(credit)	<u>39,557</u>	<u>(1,848)</u>

14 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a profit of HK\$192,000 (2013: HK\$1,012,000).

15 Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: nil).



Notes to the Financial Statements

16 Earnings/(loss) per share

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

	2014 HK\$'000	2013 HK\$'000
Profit/(loss) attributable to equity holders	<u>63,975</u>	<u>(204,037)</u>
Number of shares for calculation of basic earnings per share (thousands)	718,046	718,046
Effect on conversion of share options (thousands)	<u>49</u>	<u>-</u>
Number of shares for calculation of diluted earnings per share (thousands)	<u>718,095</u>	<u>718,046</u>
Basic earnings/(loss) per share (HK cents)	<u>8.91</u>	<u>(28.42)</u>
Diluted earnings/(loss) per share (HK cents)	<u>8.91</u>	<u>(28.42)</u>

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

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

17 Property and equipment

Group

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2014						
Cost	190,725	232,092	67,755	195,536	4,683	690,791
Accumulated depreciation and amortisation	(97,669)	(196,078)	(46,600)	(157,038)	(3,800)	(501,185)
Net book amount	<u>93,056</u>	<u>36,014</u>	<u>21,155</u>	<u>38,498</u>	<u>883</u>	<u>189,606</u>
Year ended 31 December 2014						
Opening net book amount	93,056	36,014	21,155	38,498	883	189,606
Additions	–	14,189	2,755	5,283	–	22,227
Disposals	–	(446)	(1,639)	(1,458)	–	(3,543)
Depreciation and amortisation costs	(1,930)	(29,682)	(6,468)	(15,190)	(354)	(53,624)
Exchange differences	(17)	(454)	(441)	(13)	–	(925)
Closing net book amount	<u>91,109</u>	<u>19,621</u>	<u>15,362</u>	<u>27,120</u>	<u>529</u>	<u>153,741</u>
At 31 December 2014						
Cost	190,706	216,927	64,712	192,276	4,683	669,304
Accumulated depreciation and amortisation	(99,597)	(197,306)	(49,350)	(165,156)	(4,154)	(515,563)
Net book amount	<u>91,109</u>	<u>19,621</u>	<u>15,362</u>	<u>27,120</u>	<u>529</u>	<u>153,741</u>
At 1 January 2013						
Cost	190,707	220,464	57,686	185,710	4,248	658,815
Accumulated depreciation and amortisation	(95,738)	(187,805)	(43,300)	(149,394)	(3,508)	(479,745)
Net book amount	<u>94,969</u>	<u>32,659</u>	<u>14,386</u>	<u>36,316</u>	<u>740</u>	<u>179,070</u>
Year ended 31 December 2013						
Opening net book amount	94,969	32,659	14,386	36,316	740	179,070
Additions	–	37,062	13,168	22,891	435	73,556
Disposals	–	(1,138)	(626)	(3,325)	–	(5,089)
Disposal of subsidiaries (note 31(b))	–	(43)	(10)	(611)	–	(664)
Depreciation and amortisation costs	(1,931)	(32,896)	(6,119)	(16,780)	(292)	(58,018)
Exchange differences	18	370	356	7	–	751
Closing net book amount	<u>93,056</u>	<u>36,014</u>	<u>21,155</u>	<u>38,498</u>	<u>883</u>	<u>189,606</u>
At 31 December 2013						
Cost	190,725	232,092	67,755	195,536	4,683	690,791
Accumulated depreciation and amortisation	(97,669)	(196,078)	(46,600)	(157,038)	(3,800)	(501,185)
Net book amount	<u>93,056</u>	<u>36,014</u>	<u>21,155</u>	<u>38,498</u>	<u>883</u>	<u>189,606</u>



Notes to the Financial Statements

17 Property and equipment (Continued)

The carrying amounts of land are analysed as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
In Hong Kong		
Leases of over 50 years	42,939	43,352
Leases of between 10 and 50 years	23,456	24,214
	<u>66,395</u>	<u>67,566</u>

Land and buildings with net book value of HK\$90,471,000 (2013: HK\$67,765,000) are pledged as security for the Group's bank loans (note 29).

As at 31 December 2013, land and buildings with net book value of HK\$3,975,000 (2014: nil) are pledged to secure the general banking facilities granted to the Group.

18 Investment properties

	Group	
	2014 HK\$'000	2013 HK\$'000
Opening net book amount	86,049	101,812
Change in fair value to income statement (note 8)	2,615	5,636
Disposals	–	(22,100)
Exchange differences	(754)	701
Closing net book amount	<u>87,910</u>	<u>86,049</u>

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

As at 31 December 2014, valuations were undertaken by Midland Surveyors Limited (2013: Knight Frank Petty Limited, an independent qualified professional valuer), a qualified professional valuer under the Group with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties in Hong Kong and the PRC are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

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

18 Investment properties (Continued)

Information about fair value measurements using significant unobservable inputs:

Investment properties	Fair value HK\$'000	Range of significant unobservable inputs	
		Prevailing market rent per month	Capitalisation rate
Hong Kong	58,310	HK\$42 to HK\$98 per sq. ft. (saleable) (2013: HK\$37 to HK\$100 per sq. ft. (saleable))	3.50% to 5.20% (2013: 3.25% to 4.5%)
The PRC	29,600	RMB149 to RMB1,440 per sq. m. (gross) (2013: RMB135 to RMB1,210 per sq. m. (gross))	4.70% to 5.60% (2013: 4.0% to 5.0%)
Total	<u>87,910</u>		

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

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

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

	Group	
	2014 HK\$'000	2013 HK\$'000
In Hong Kong		
Leases of over 50 years	14,860	14,200
Leases of between 10 and 50 years	43,450	41,720
	<u>58,310</u>	<u>55,920</u>
Outside Hong Kong		
Leases of over 50 years	14,725	14,744
Leases of between 10 and 50 years	14,875	15,385
	<u>29,600</u>	<u>30,129</u>
	<u>87,910</u>	<u>86,049</u>

Investment properties with net book value of HK\$58,310,000 (2013: HK\$1,000,000) are pledged as security for the Group's bank loans (note 29).



Notes to the Financial Statements

19 Land use rights

	Group	
	2014 HK\$'000	2013 HK\$'000
Opening net book amount	1,407	1,411
Amortisation	(39)	(39)
Exchange differences	(35)	35
Closing net book amount	<u>1,333</u>	<u>1,407</u>

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Outside Hong Kong		
Leases of between 10 to 50 years	<u>1,333</u>	<u>1,407</u>

20 Investments in subsidiaries

	Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	<u>108,501</u>	<u>108,501</u>

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

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

21 Amounts due from/to subsidiaries

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

22 Interests in joint ventures

	Group	
	2014 HK\$'000	2013 HK\$'000
Share of net assets	63,358	56,431
Unlisted shares, at costs	12,044	12,044

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

Details of principal joint ventures are set out in note 36(ii) to the financial statements.

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

	2014	2013
	HK\$'000	HK\$'000
Share of profit	11,547	7,492
Share of other comprehensive income	–	–
Share of total comprehensive income	11,547	7,492
Carrying amount of interests in these joint ventures	63,358	56,431

There were no significant contingent liabilities and capital commitments relating to the Group's interests in the joint ventures and the joint ventures did not have any significant contingent liabilities and capital commitments as at 31 December 2014 and 2013.

23 Available-for-sale financial assets

	Group	
	2014 HK\$'000	2013 HK\$'000
Unlisted investments, at fair value	12,566	15,071

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



Notes to the Financial Statements

24 Trade and other receivables

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade receivables	1,876,857	1,365,386	–	–
Less: provision for impairment	(185,006)	(196,448)	–	–
Trade receivables, net	1,691,851	1,168,938	–	–
Other receivables, prepayments and deposits	298,187	281,857	690	1,135
	<u>1,990,038</u>	<u>1,450,795</u>	<u>690</u>	<u>1,135</u>

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Not yet due	1,646,247	1,053,958
Less than 30 days	19,386	34,703
31 to 60 days	12,617	36,841
61 to 90 days	4,547	9,736
Over 90 days	9,054	33,700
	<u>1,691,851</u>	<u>1,168,938</u>

Trade receivables of HK\$45,604,000 (2013: HK\$114,980,000) were past due but not impaired. Such receivables were either past due for less than six months or subsequently settled after the year end.

As at 31 December 2014, provision for impairment for trade receivables of HK\$185,006,000 (2013: HK\$196,448,000) was made after taking into accounts the aging of the trade receivables, the default history of customers or other specific reasons.



24 Trade and other receivables (Continued)

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

	Group	
	2014 HK\$'000	2013 HK\$'000
At 1 January	196,448	208,925
Provision for impairment	69,047	126,075
Write-off of uncollectible debts	(80,489)	(137,582)
Disposal of subsidiaries	–	(970)
At 31 December	<u>185,006</u>	<u>196,448</u>

The comparative figures relating to provision for impairment of HK\$47,695,000, which had been previously net off with “trade receivables”, is now presented as “provision for impairment” in order to give a better presentation and understanding of the Group’s activities.

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

The Group’s trade and other receivables are mainly denominated in Hong Kong Dollars and Renminbi.

As at 31 December 2014, the Group’s net trade receivable of approximately HK\$307,620,000 (2013: nil) were pledged as securities for the loan facilities granted by the bank.



Notes to the Financial Statements

25 Cash and bank balances

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash at banks and in hand	1,187,548	1,018,796	706	591
Bank deposits	576,937	415,504	–	–
Cash and bank balances	1,764,485	1,434,300	706	591
Less:				
Bank deposits with maturity over three months from date of deposits (note a)	(5,000)	(5,128)	–	–
Bank overdrafts	–	(28,981)	–	–
Pledged bank deposit (note b)	(3,400)	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows	<u>1,756,085</u>	<u>1,400,191</u>	<u>706</u>	<u>591</u>

Notes:

- (a) The cash and bank balances include guarantee deposits of HK\$5,000,000 (2013: HK\$5,128,000) are placed by certain wholly-owned subsidiaries for business purposes at designated bank accounts in the PRC.
- (b) As at 31 December 2014, bank deposits of HK\$3,400,000 (2013: nil) were pledged as securities for the rental guarantee provided by bank to landlord of the Group.

As at 31 December 2014, the cash and bank balances include cashier orders amounting to HK\$782,640,000 (2013: HK\$618,610,000), certain amount of which were placed to property developers for business purpose.

As at 31 December 2014 and 2013, the Group's cash and cash equivalents and short term bank deposits included balances of HK\$120,676,000 and HK\$115,163,000 respectively, which were deposits with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

26 Share capital and premium

	Number of issued shares (HK\$0.10 each)	Nominal value HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2013, 31 December 2013 and 31 December 2014	<u>718,046,005</u>	<u>71,805</u>	<u>223,505</u>	<u>295,310</u>

Notes:

(a) Share capital

The total authorised number of ordinary shares is 1 billion shares (2013: 1 billion shares) with a nominal value of HK\$0.10 per share (2013: HK\$0.10 per share). All issued shares are fully paid.

(b) Share options of the Company

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

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

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



Notes to the Financial Statements

26 Share capital and premium (Continued)

Notes: (Continued)

(b) Share options of the Company (Continued)

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

	2014		2013	
	Weighted average exercise price per option HK\$	Number of options	Weighted average exercise price per option HK\$	Number of options
At beginning of the year	3.974	21,927,480	3.977	22,077,480
Lapsed	–	–	4.290	(150,000)
At end of the year	3.974	<u>21,927,480</u>	3.974	<u>21,927,480</u>

All the outstanding options were exercisable as at 31 December 2014 and 2013.

The options outstanding as at 31 December 2014 had an exercise price of HK\$3.81 or HK\$4.29 (2013: HK\$3.81 or HK\$4.29) and a weighted average remaining contractual life of 5.50 years (2013: 6.50 years).

No share options had been granted or exercised during the year (2013: nil). In 2014, there was no share option expense recognised (2013: HK\$4,194,000) in relation to share options granted under the share option scheme.

(c) Share options of Midland IC&I

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

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

Exercisable period	Exercise price per option HK\$	Number of options	
		2014	2013
1 October 2011 to 30 September 2016	0.053	20,000,000	20,000,000
15 December 2014 to 14 December 2019	0.044	43,330,000	–
15 December 2015 to 14 December 2019	0.044	43,330,000	–
15 December 2016 to 14 December 2019	0.044	43,340,000	–
		<u>150,000,000</u>	<u>20,000,000</u>

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

26 Share capital and premium (Continued)

Notes: (Continued)

(c) Share options of Midland IC&I (Continued)

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

	2014		2013	
	Weighted average exercise price per option HK\$	Number of options	Weighted average exercise price per option HK\$	Number of options
At beginning of the year	0.053	20,000,000	0.053	20,000,000
Granted	0.044	130,000,000	–	–
At end of the year	0.045	<u>150,000,000</u>	0.053	<u>20,000,000</u>

- (iii) Fair value of share options and assumptions

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

Out of the 150,000,000 outstanding options (2013: 20,000,000), 63,330,000 options (2013: 20,000,000) were exercisable as at 31 December 2014.

The options outstanding as at 31 December 2014 had an exercise price of HK\$0.044 or HK\$0.053 (2013: HK\$0.053) and a weighted average remaining contractual life of 3.69 years (2013: 2.75 years).

No share option had been exercised during the year (2013: nil).

The Group recognised a total expense of HK\$879,000 for the year ended 31 December 2014 (2013: nil) in relation to share options granted under the share option scheme of Midland IC&I.



Notes to the Financial Statements

27 Reserves

Group

	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Employee benefits reserve HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014	4,917	(11,553)	12	34,615	22,872	(2,643)	10,100	984,270	1,042,590
Profit for the year	-	-	-	-	-	-	-	63,975	63,975
Currency translation differences	-	-	-	-	1,090	-	-	-	1,090
Change in fair value of available-for-sale financial assets	-	-	-	-	-	2,265	-	-	2,265
Employee share option scheme – value of employee services	-	-	-	879	-	-	-	-	879
At 31 December 2014	4,917	(11,553)	12	35,494	23,962	(378)	10,100	1,048,245	1,110,799
At 1 January 2013	4,917	(11,553)	12	30,675	24,324	(3,091)	10,100	1,259,858	1,315,242
Loss for the year	-	-	-	-	-	-	-	(204,037)	(204,037)
Release of currency translation differences arising from disposal of subsidiaries	-	-	-	-	8	-	-	-	8
Currency translation differences	-	-	-	-	(1,460)	-	-	-	(1,460)
Change in fair value of available-for-sale financial assets	-	-	-	-	-	448	-	-	448
Employee share option scheme – value of employee services	-	-	-	4,194	-	-	-	-	4,194
Lapse of share options	-	-	-	(254)	-	-	-	254	-
2012 final dividend paid	-	-	-	-	-	-	-	(71,805)	(71,805)
At 31 December 2013	4,917	(11,553)	12	34,615	22,872	(2,643)	10,100	984,270	1,042,590

27 Reserves (Continued)

Company

	Capital redemption reserve HK\$'000	Employee benefits reserve HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2014	4,917	34,217	108,001	593,288	740,423
Profit for the year	–	–	–	192	192
At 31 December 2014	<u>4,917</u>	<u>34,217</u>	<u>108,001</u>	<u>593,480</u>	<u>740,615</u>
At 1 January 2013	4,917	30,277	108,001	663,827	807,022
Profit for the year	–	–	–	1,012	1,012
Employee share option scheme – value of employee services	–	4,194	–	–	4,194
Lapse of share options	–	(254)	–	254	–
2012 final dividend paid	–	–	–	(71,805)	(71,805)
At 31 December 2013	<u>4,917</u>	<u>34,217</u>	<u>108,001</u>	<u>593,288</u>	<u>740,423</u>

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

28 Trade and other payables

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Commissions payable	1,389,318	931,426	–	–
Other payables and accruals	651,778	379,727	21,166	19,938
	<u>2,041,096</u>	<u>1,311,153</u>	<u>21,166</u>	<u>19,938</u>

Commissions payable include mainly the commissions payable to property consultants, co-operative estate agents and clients, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$194,025,000 (2013: HK\$110,125,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

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



Notes to the Financial Statements

29 Borrowings

As at 31 December 2014 and 2013, the Group's borrowings were either with repayment on demand clause or repayable within one year and classified as current liabilities.

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

Group

	Bank loans and overdrafts		Other loan		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	417,928	324,894	-	90,000	417,928	414,894
After 1 year but within 2 years	945	930	-	-	945	930
After 2 years but within 5 years	2,947	2,895	-	-	2,947	2,895
Over 5 years	4,298	5,292	-	-	4,298	5,292
	<u>426,118</u>	<u>334,011</u>	<u>-</u>	<u>90,000</u>	<u>426,118</u>	<u>424,011</u>

	Bank loans and overdrafts		Other loan		Total	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wholly repayable within 5 years	417,000	323,981	-	90,000	417,000	413,981
Not wholly repayable within 5 years	9,118	10,030	-	-	9,118	10,030
	<u>426,118</u>	<u>334,011</u>	<u>-</u>	<u>90,000</u>	<u>426,118</u>	<u>424,011</u>

	Group	
	2014	2013
	HK\$'000	HK\$'000
Unsecured bank overdrafts	-	28,981
Bank loans		
– secured	409,118	260,030
– unsecured	17,000	45,000
Other loan		
– unsecured	-	90,000
	<u>426,118</u>	<u>424,011</u>

Bank loans are secured by certain land and buildings and investment properties held by the Group (notes 17 and 18), certain trade receivables (note 24) and guarantees provided by the Company (note 32).

29 Borrowings (Continued)

The effective interest rate of the borrowings is 1.59%–2.73% (2013: 1.56%–8.00%). The carrying amount and fair value of the borrowings are as follows:

	Carrying amount		Fair value	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowings	<u>426,118</u>	<u>424,011</u>	<u>426,118</u>	<u>424,011</u>

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 1.59%–2.73% (2013: 1.56%–8.00%).

The Group has the following undrawn borrowing facilities:

	2014	2013
	HK\$'000	HK\$'000
Floating rates		
Expiring within one year	<u>413,000</u>	<u>95,795</u>

Borrowings are denominated in Hong Kong dollars.

30 Deferred taxation

	Group	
	2014	2013
	HK\$'000	HK\$'000
Deferred taxation assets	(21,652)	(35,920)
Deferred taxation liabilities	<u>2,857</u>	<u>2,832</u>
	<u>(18,795)</u>	<u>(33,088)</u>

The net movements on the deferred taxation are as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
At 1 January	(33,088)	(19,054)
Recognised in the consolidated income statement (note 13)	14,293	(14,070)
Disposal of subsidiaries	–	36
At 31 December	<u>(18,795)</u>	<u>(33,088)</u>



Notes to the Financial Statements

30 Deferred taxation (Continued)

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

Deferred taxation assets

	Group			
	Provision HK\$'000	Decelerated tax depreciation	Tax losses	Total
		HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	(16,797)	(2,230)	(3,132)	(22,159)
Recognised in the consolidated income statement	561	173	(14,749)	(14,015)
Disposal of subsidiaries	–	36	–	36
At 31 December 2013	(16,236)	(2,021)	(17,881)	(36,138)
Recognised in the consolidated income statement	1,814	(1,243)	13,915	14,486
At 31 December 2014	<u>(14,422)</u>	<u>(3,264)</u>	<u>(3,966)</u>	<u>(21,652)</u>

Deferred taxation liabilities

	Group	
	Accelerated tax depreciation	
	2014 HK\$'000	2013 HK\$'000
As 1 January	3,050	3,105
Recognised in the consolidated income statement	<u>(193)</u>	<u>(55)</u>
At 31 December	<u>2,857</u>	<u>3,050</u>

Deferred taxation assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred taxation assets of HK\$97,839,000 (2013: HK\$102,619,000) in respect of losses amounting to HK\$461,266,000 (2013: HK\$472,614,000) as at 31 December 2014. These tax losses are subject to the agreement with the tax authorities and can be carried forward against future taxable income. Tax losses amounting to HK\$255,651,000 (2013: HK\$235,665,000) will expire from 2015 to 2019 (2013: from 2014 to 2018).

30 Deferred taxation (Continued)

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Deferred taxation assets		
Recoverable after more than twelve months	(5,806)	(19,709)
Recoverable within twelve months	(15,846)	(16,211)
	<u>(21,652)</u>	<u>(35,920)</u>
Deferred taxation liabilities		
Payable or settle after more than twelve months	2,392	1,987
Payable or settle within twelve months	465	845
	<u>2,857</u>	<u>2,832</u>

31 Notes to consolidated statement of cash flows

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

	2014 HK\$'000	2013 HK\$'000
Operating profit/(loss)	119,363	(209,598)
Impairment of receivables	69,047	126,075
Depreciation and amortisation costs	53,663	58,057
Fair value gain on investment properties	(2,615)	(5,636)
Gain on disposal of investment properties	–	(2,254)
Gain on disposal of subsidiaries	–	(2,205)
Realised loss/(gain) on available-for-sale financial assets	592	(3,521)
Loss on disposal of property and equipment	3,488	5,043
Fair value loss on financial assets at fair value through profit or loss	–	12
Share-based benefits	879	4,194
	<u>244,417</u>	<u>(29,833)</u>
Operating profit/(loss) before working capital changes	244,417	(29,833)
(Increase)/decrease in trade and other receivables	(611,120)	245,213
Increase/(decrease) in trade and other payables	738,456	(348,056)
	<u>371,753</u>	<u>(132,676)</u>
Net cash generated from/(used in) operations	371,753	(132,676)



Notes to the Financial Statements

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

	2014 HK\$'000	2013 HK\$'000
Net liabilities disposed:		
Property and equipment	–	664
Deferred taxation assets	–	36
Trade and other receivables	–	4,044
Financial assets at fair value through profit or loss	–	143
Trade and other payables	–	(8,609)
Cash and bank balances	–	3,506
	–	(216)
Exchange reserve realised	–	11
Gain on disposal of subsidiaries	–	2,205
Total consideration	–	2,000
Net cash outflow from disposal of subsidiaries:		
Cash consideration	–	2,000
Cash and bank balances disposed	–	(3,506)
	–	(1,506)

32 Contingent liabilities

As at 31 December 2014, the Company executed corporate guarantee as part of the securities for general banking and other loan facilities of HK\$862,700,000 granted to certain wholly-owned subsidiaries (2013: HK\$542,700,000). At 31 December 2014, HK\$426,179,000 of these facilities were utilised by the subsidiaries (2013: HK\$425,701,000).

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

33 Future lease rental receivable

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Within one year	2,734	2,420
Between one year and five years	2,915	501
	<u>5,649</u>	<u>2,921</u>

The Company did not have any significant operating lease commitments as at 31 December 2014 and 2013.

34 Commitments

(a) Capital commitments

The Group and the Company did not have any significant capital commitments as at 31 December 2014 and 2013.

(b) Operating lease commitments

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

	Group	
	2014 HK\$'000	2013 HK\$'000
Within one year	453,705	463,393
After one year but within five years	303,599	259,187
More than five years	1,205	764
	<u>758,509</u>	<u>723,344</u>

The Company did not have any significant operating lease commitments as at 31 December 2014 and 2013.



Notes to the Financial Statements

35 Significant related party transactions

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

	Note	2014 HK\$'000	2013 HK\$'000
(a) Operating lease rental expenses in respect of office and shop premises			
– Related companies	(i)	9,094	10,722
– Directors	(ii)	213	1,049
Interest on loans provided by a director	(iii)	973	1,262
Consultancy fee paid to a director	(iv)	<u>3,360</u>	<u>1,174</u>
(b) Key management compensation	(v)		
Fees, salaries, allowances and incentives		18,126	30,436
Share-based benefits		779	4,194
Retirement benefit costs		<u>106</u>	<u>112</u>
		<u>19,011</u>	<u>34,742</u>

Notes:

- (i) The Group entered into certain operating lease agreements with certain related companies, in which directors of the Company have beneficial interests, on terms mutually agreed by both parties.
- (ii) The Group entered into certain operating lease agreements with directors of the Company on terms mutually agreed by both parties.
- (iii) During the year, a director granted loans to the Group which were unsecured and interest bearing at market rate. Such loans were fully repaid during the year.
- (iv) Consultancy fee was paid to a director for acting as the strategic consultant of the Company.
- (v) The amount represents emoluments paid or payable to Executive Directors for the year.

36 Particulars of principal subsidiaries and joint ventures

(i) Principal subsidiaries

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %	
				2014	2013
Astra Profits Limited (Note a)	British Virgin Islands	4 shares of US\$1 each	Investment holding in Hong Kong	100	100
Guangzhou Midland Property Agency Company Limited (Note b, c)	The PRC	US\$5,606,000	Property agency in the PRC	100	100
HKP Estate Agency (Macau) Limited (Note b)	Macau	MOP\$25,000	Property agency in Macau	100	100
Hong Kong Property Services (Agency) Limited (Note b)	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	100	100
Hong Kong Property Services (China) Limited (Note b)	Hong Kong	1 share of HK\$1	Investment holding in the PRC	100	100
Hong Kong Property Services (IC&I) Limited (Note b)	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	70.80	70.80
Jolly Grace Limited (Note b)	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100	100
Midland IC&I Limited (Note b)	Cayman Islands	13,700,000,000 shares of HK\$0.01 each	Investment holding in Hong Kong	70.80	70.80
Midland CyberNet Limited (Note b)	Hong Kong	39,100,000 shares of HK\$1 each	Investment holding and operation of internet website in Hong Kong	100	100
Midland HKP Services (Administration) Limited (Note b)	Hong Kong	2 shares of HK\$1 each	Provision of management services in Hong Kong	100	100
Midland Immigration Consultancy Limited (Note b)	Hong Kong	500,000 shares of HK\$1 each	Immigration consultancy services in Hong Kong	100	100
Midland Realty (Comm.) Limited (Note b)	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	70.80	70.80
Midland Realty (Comm. & Ind.) Limited (Note b)	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	70.80	70.80
Midland Realty (Macau) Limited (Note b)	Macau	MOP\$25,000	Property agency in Macau	100	100
Midland Realty (Shops) Limited (Note b)	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	70.80	70.80
Midland Realty (Strategic) Limited (Note b)	Hong Kong	10,000 shares of HK\$1 each and 2,000,000 non-voting deferred shares of HK\$1 each	Investment holding, provision of administration services and treasury services to the group companies in Hong Kong	100	100



Notes to the Financial Statements

36 Particulars of principal subsidiaries and joint ventures (Continued)

(i) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %	
				2014	2013
Midland Realty International Limited (Note b)	Hong Kong	1,000 shares of HK\$100 each	Property agency in Hong Kong	100	100
Midland Surveyors Limited (Note b)	Hong Kong	1,000,000 shares of HK\$1 each	Provision of general administration services and valuation business in Hong Kong	100	100
Real Gain Limited (Note b)	Hong Kong	10,000 shares of HK\$1 each	Property investment in Hong Kong	100	100
Teamway Group Limited (Note b)	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	70.80	70.80
Teston Profits Limited (Note b)	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100	100
Worldboss Limited (Note b)	Hong Kong	2 shares of HK\$1 each	Property investment in Hong Kong	100	100
Perfect Tower Limited (Note b)	Hong Kong	2 shares of HK\$1 each	Property investment in the PRC	100	100
港置地產代理(深圳)有限公司 (Note b, c)	The PRC	HK\$41,500,000	Property agency in the PRC	100	100
縱橫擔保(深圳)有限公司 (Note b, c)	The PRC	US\$5,400,000	Property investment in the PRC	100	100
美聯物業代理(深圳)有限公司 (Note b, c)	The PRC	US\$13,510,000	Property agency in the PRC	100	100
北京美聯房地產經紀有限公司 (Note b, c)	The PRC	US\$3,400,000	Property agency in the PRC	100	100
重慶美聯營銷策劃有限公司 (Note b, c)	The PRC	US\$2,147,000	Property agency in the PRC	100	100
成都港美聯房地產顧問有限公司 (Note b, c)	The PRC	US\$1,065,000	Property agency in the PRC	100	100
Hong Kong Property (Comm.) Limited (Note b)	Hong Kong	1 share of HK\$1	Property agency in Hong Kong	70.80	70.80
Hong Kong Property (I&O) Limited (Note b)	Hong Kong	1 share of HK\$1	Property agency in Hong Kong	70.80	70.80
Midland Realty (Global) Limited (Note b)	Hong Kong	1 share of HK\$1	Promotion of overseas properties in Hong Kong	100	100
Midland IC&I Treasury Services Limited (Note b)	Hong Kong	1 share of HK\$1	Provision of treasury services to the group companies in Hong Kong	70.80	70.80
Leader Concord Limited (Note b)	Hong Kong	2 share of HK\$1 each	Provision of management services in Hong Kong	70.80	70.80

36 Particulars of principal subsidiaries and joint ventures (Continued)

(i) Principal subsidiaries (Continued)

Notes:

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

(ii) Joint ventures

Company name	Place of incorporation	Principal activities and places of operation	Percentage of interest in ownership/ voting power/profit sharing	
			2014	2013
mReferral Corporation Limited	British Virgin Islands	Investment holding in Hong Kong	50%/50%/50%	50%/50%/50%
Vision Year Investments Limited	British Virgin Islands	Investment holding in Hong Kong	10%/50%/10%	10%/50%/10%



List of Investment Properties

Location	Lot Number	Existing use	Lease term	Group's interest
Portion B of Shop No. 110 on the Car Park Level 1 of Podium C of Riviera Gardens, 2-12 Yi Hong Street & 7-9 Yi Lok Street, Tsuen Wan, New Territories, Hong Kong	TWTL 303	Commercial	Medium	100%
Shop No. 1 on 1st Floor, the Mall of Commercial Development, Locwood Court, Kingswood Villas, 1 Tin Wu Road, Tin Shui Wai, Yuen Long, New Territories, Hong Kong	TSWTL 1	Commercial	Medium	100%
Unit A1 on Ground Floor of the Commercial Accommodation, Well On Garden, 9 Yuk Nga Lane, Tseung Kwan O, Sai Kung, New Territories, Hong Kong	TKOTL18	Commercial	Medium	100%
Shop No. 6 on Lower Ground Floor, Franki Centre (formerly known as Kowloon Tong Centre), 320 Junction Road, Kowloon Tong, Kowloon, Hong Kong	NKIL5746	Commercial	Medium	100%
Unit 4 on Level (Site 1) 36 (excluding Market Entrance at L36) of Commercial Development, Sceneway Garden, 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	NKIL6046	Commercial	Medium	100%
Shops 1 and 2 on Ground Floor, Wai Wah Court, 12R Smithfield, Kennedy Town, Hong Kong	IL4097	Commercial	Long	100%
Car park P19 2/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	NKIL2828	Commercial	Medium	100%
Units 1202, 1203 and 1204 on Level 12 of Tower 1, Henderson Centre, 18 Jianguomennei Avenue, Dongcheng District, Beijing, the People's Republic of China	N/A (Note)	Commercial	Medium	100%
Shop No. 1D 128 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (Note)	Commercial	Long	100%
Shop No. 1D 188 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (Note)	Commercial	Long	100%

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

Five-Year Financial Summary

	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)
For the year					
Revenues	<u>4,118,267</u>	<u>3,343,972</u>	<u>3,910,670</u>	<u>3,397,723</u>	<u>3,736,952</u>
Profit/(loss) before taxation	<u>114,315</u>	<u>(199,962)</u>	<u>357,501</u>	<u>212,057</u>	<u>687,167</u>
Profit/(loss) attributable to equity holders of the Company	<u>63,975</u>	<u>(204,037)</u>	<u>249,826</u>	<u>133,900</u>	<u>533,813</u>
Cashflows					
Net cash inflow/(outflow) from operating activities	<u>341,135</u>	<u>(167,574)</u>	<u>234,184</u>	<u>105,951</u>	<u>614,292</u>
At year end					
Total assets	4,096,420	3,273,206	3,488,835	2,776,673	3,192,303
Total liabilities	2,489,880	1,745,658	1,694,566	1,133,669	1,308,758
Non-controlling interests	200,431	189,648	183,717	135,826	110,476
Total equity	<u>1,606,540</u>	<u>1,527,548</u>	<u>1,794,269</u>	<u>1,643,004</u>	<u>1,883,545</u>
Cash and bank balances	<u>1,764,485</u>	<u>1,434,300</u>	<u>1,289,966</u>	<u>1,249,009</u>	<u>1,601,926</u>
Per share data					
Earnings/(loss) per share – basic (HK cents)	<u>8.91</u>	<u>(28.42)</u>	<u>34.89</u>	<u>18.54</u>	<u>73.71</u>
Dividend per share (HK cents)					
Interim	–	–	14.34	22.33	26.80
Final	–	–	10.00	–	20.28
Special	–	–	–	8.34	11.80
Total	<u>–</u>	<u>–</u>	<u>24.34</u>	<u>30.67</u>	<u>58.88</u>

Note: The figures for 2010–2011 are restated for the adoption of amendment to HKAS12 (Amendment) – Deferred Tax: Recovery of Underlying Assets.

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