



Midland IC&I Limited

美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(股份代號 Stock code : 459)

An aerial, top-down view of a city skyline, likely Hong Kong, with numerous skyscrapers illuminated at night. The buildings are arranged in a circular pattern around a central yellow circle. Several other circles of different colors and patterns (white, blue, grey, yellow) are scattered around the central circle, some overlapping the buildings. The background is a gradient of blue and green.

同心奮進跨界限
積極發展創新天



2	Corporate Information
3	Letter from Chief Executive Officer
7	Profile of Directors
11	Corporate Governance Report
22	Environmental, Social and Governance Report
28	Report of the Directors
43	Management Discussion and Analysis
45	Independent Auditor's Report
50	Consolidated Statement of Comprehensive Income
51	Consolidated Balance Sheet
52	Consolidated Statement of Changes in Equity
53	Consolidated Statement of Cash Flows
54	Notes to the Consolidated Financial Statements
91	List of Investment Properties
92	Five-Year Financial Summary

BOARD OF DIRECTORS**Non-Executive Directors**

Mr. KAN Chung Nin, Tony (*Chairman*)
 Ms. TANG Mei Lai, Metty
 Mr. TSANG Link Carl, Brian
(with Mr. CHU Kuo Fai, Gordon as his alternate)

Executive Directors

Ms. WONG Ching Yi, Angela
 Mr. WONG Hon Shing, Daniel (*Chief Executive Officer*)

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. HO Kwan Tat, Ted (*Committee Chairman*)
 Mr. KAN Chung Nin, Tony
 Mr. WONG Hon Shing, Daniel
 Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric

NOMINATION COMMITTEE

Mr. KAN Chung Nin, Tony (*Committee Chairman*)
 Mr. WONG Hon Shing, Daniel
 Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric
 Mr. HO Kwan Tat, Ted

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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
 DBS Bank (Hong Kong) Limited
 Hang Seng Bank Limited
 The Hongkong and Shanghai Banking Corporation Limited

HONG KONG LEGAL ADVISER

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

CAYMAN ISLANDS LEGAL ADVISER

Conyers Dill & Pearman
 29th Floor
 One Exchange Square
 8 Connaught Place
 Central
 Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.midlandici.com.hk

STOCK CODE

459



BUSINESS REVIEW

For the year ended 31 December 2016, Midland IC&I Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded a profit attributable to equity holders of approximately HK\$18.1 million, 663% up as compared with 2015, and its revenue for the year increased by 11% to HK\$520.3 million. Despite a decline in transaction value of non-residential units in Hong Kong, the Group was able to strengthen its market position and achieve better cost efficiency, which led to an improvement in the Group’s financial results.

Turned around in the second half

Investment sentiments were extremely weak in the first quarter of 2016 as the market had doubts on the outlook of macro and mainland economies. In the first half of the reporting period, the number of non-residential transactions declined 42% as compared with that in the corresponding period of 2015, and the Group recorded a loss in the first half of 2016. The market improved remarkably as those concerns dissipated in the second quarter. The acquisition of One HarbourGate East Tower by a mainland enterprise in August last year fueled up the office sector further. After a sharp correction in prices, retail properties became attractive to some long-term investors. Supported by strong fundamentals, the transaction volume of non-residential properties registered a year-on-year growth of 32% in the second half of 2016 despite Brexit taking place in late June. The Group’s financial performance turned around in the second half as compared with that in the first half.



Outperformed the market

Despite the sharp growth in market activity in the second half, the value of non-residential sales registrations still registered a decline of 21% in 2016. In the corresponding period, the Group's revenue rose by 11%. The outperformance was attributed to a stronger market position. During the reporting period, the Group showed strength in the big-ticket segment and brokered some en-bloc transactions such as an office building in Hung Hom valued at HK\$350 million and an industrial building in Kwai Chung valued at approximately HK\$170 million. Moreover, the Group brokered a transaction of shops in Yuen Long valued at above HK\$600 million in total.

The Group also strived hard to contain costs. The Group carried out several relocation exercises during the reporting period and also put hard effort in raising frontline productivity. Despite the fact that the size of the workforce shrank during the reporting period, the growth in revenue indicated that there was an increase in productivity.

OUTLOOK

The Group expects that there will be new challenges in 2017 from geopolitical developments and heightened trade barriers. For examples, the Brexit developments and the upcoming general elections in some major European countries this year, will complicate the political and economic outlook for Europe. If globalisation continues to retreat, local economy will be affected. Offsetting the impacts of these problems are signs of a cyclical upturn of global economy. Indeed, the US economy looks robust and growth in China has held up well. Furthermore, global economic growth will receive a boost if the US introduces fiscal stimulus measures. However, uncertainties brought by political changes in many parts of the world and rising protectionist sentiments, will further complicate the situation and lead to unstable global and local economic performance.



The Company has won the “Excellent Brand of Commercial Property Agent” for 10th year in a row, by Metro Finance.



Mr. WONG Hon Shing, Daniel, the Chief Executive Officer of the Company, together with colleagues, donated 200 fans to the elderly in “Warm Wind – Visiting” programme jointly organized with The Salvation Army.



The Company has won the “Family-Friendly Employer” of the “2015/16 Family-Friendly Employers Award Scheme”.



The Company always actively participates in volunteer services and is enthusiastic in joining charitable activities. The Company sponsored eye surgeries for the underprivileged elderly to help them recover their sight.



Mr. WONG Hon Shing, Daniel, the Chief Executive Officer of the Company, was being invited to the Celebrating Party of 67th Anniversary of the Founding of the People’s Republic of China, organized by Hong Kong Property Agencies Association Limited.

Office sector is expected to fare well

The growth of the mainland economy is increasingly driven by domestic demand and is approaching towards sustainable development which will continue to lend support to the Hong Kong economy. Even though the retail sector has not yet fully recovered, some veteran shop investors have started to hunt for bargains after sharp correction in asset prices. Furthermore, the increase in stamp duty for residential properties to 15% in November 2016 is likely to shift market focus from the residential to the non-residential sector. Hence, investment demand for shops, industrial premises and offices are all expected to grow. Office segment is expected to outperform.

New World Development winning a government land site in Cheung Sha Wan at around HK\$7.8 billion is definitely an auspicious sign for this sector. Mainland enterprises have been keen in acquiring office tower and in the past two years, four office buildings, namely, MassMutual Tower, Dah Sing Financial Centre, One HarbourGate West and East Towers, were acquired by mainland companies. Some commercial sites listed at the land sales program such as the one on Murray Road may well suit the appetite of the mainland enterprises. After having their footprints on the land development market in the residential sector, mainland enterprises are highly likely to become bidders for the commercial sites. The buying behavior of the mainland enterprises has already resulted in positive sentiments towards office premises, and it is expected that the number of big ticket transactions in this segment will go up this year.

Challenging business environment

Despite improvements in market sentiments, the overall business environment of the Group appears to remain challenging due to uncertainties of local and global economies. Deglobalisation and interest rate hikes are two of the most concerning issues. While government policies are less intervening in the non-residential sector, the impacts of tight mortgage requirements and double stamp duty are still in place. Likely, the overall non-residential segment will be characterized by “high price but low activity” in 2017.

The local non-residential market has been very volatile and so has been the Group’s profitability. The Group has been looking for stable business opportunities and acquired an en-bloc property which comprises 40 serviced apartment units and 2 shops to generate stable rental income. The Group will continue to explore new business opportunities and look for diversifications to enhance shareholders value.

In the meantime, the Group will continue to enhance its efficiency and fight for a stronger market position. On top of optimizing its branch network, the Group will also step up its efforts in improving staff quality.

APPRECIATION

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

WONG Hon Shing, Daniel
Chief Executive Officer

Hong Kong, 28 March 2017

NON-EXECUTIVE DIRECTORS

Mr. KAN Chung Nin, Tony, aged 66, *LL.B., P.C.L.L., BBS, SBS, JP*, has been the Chairman of the Board, a Non-Executive Director, the Chairman and a member of the Nomination Committee, and a member of the Remuneration Committee of the Company since October 2016.

Mr. KAN 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 Member of the Election Committee of the Chief Executive of Hong Kong Special Administrative Region. Mr. KAN has been appointed as an Independent Non-Executive Director of Man Wah Holdings Limited since May 2013, a company listed in Hong Kong. Mr. KAN has been appointed as an Independent Non-Executive Director of Nameson Holdings Limited since 29 January 2016, which has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2016. He was the Non-Executive Director of Midland Holdings Limited ("Midland Holdings"), a company listed on the main board of the Stock Exchange and the controlling shareholder (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company, and subsequently became the Independent Non-Executive Director of Midland Holdings during the period from October 1994 to September 2004. Mr. KAN has also served as a Non-Executive Director of Midland Holdings during the period from March 2014 to October 2016.

Ms. TANG Mei Lai, Metty, aged 61, has been the Non-Executive Director of the Company since December 2014 and was the Chairman of the Company from September 2008 to October 2016. She had also been an Executive Director and the Managing Director of the Company since September 2008 and October 2008 respectively before her re-designation as Non-Executive Director of the Company in December 2014.

Ms. TANG has been an Executive Director of Midland Holdings since December 2005. She was the Deputy Chairman of Midland Holdings from December 2005 to March 2011.

Ms. TANG is a director of Midland Holdings, Luck Gain Holdings Limited and Wealth Builder Holdings Limited which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). She is currently the director, president and honorary member of Midland Charitable Foundation Limited. Ms. TANG joined Midland Group in 2004. She is the spouse of Mr. WONG Kin Yip, Freddie, the Chairman and Non-Executive Director of Midland Holdings, and the mother of Ms. WONG Ching Yi, Angela, Executive Director of the Company and the Deputy Chairman, Managing Director and Executive Director of Midland Holdings.

Mr. TSANG Link Carl, Brian, aged 53, has been the Non-Executive Director of the Company since March 2005.

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

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

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

EXECUTIVE DIRECTORS

Ms. WONG Ching Yi, Angela, aged 36, has been the Executive Director of the Company since December 2011. She was the Executive Director of the Company from June 2007 to March 2008.

Ms. WONG is responsible for formulating, overseeing and implementing the overall corporate strategies and policies as well as the corporate development and governance of Midland Holdings and its subsidiaries (collectively, "Midland Group") and the Group (collectively, the "Groups"). She is also responsible for the overall management and sales operations of the Groups, and oversees other operations ranging from finance, professional services, investor relations, information technology to corporate communications.

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

Ms. WONG has been the Executive Director of Midland Holdings since March 2008 and has been the Deputy Chairman of Midland Holdings since March 2011, and had been the Deputy Managing Director of Midland Holdings since August 2011 before her re-designation as Managing Director of Midland Holdings in December 2014.

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

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

Prior to joining the Groups, 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, Committee 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 was 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.

Ms. WONG is a director of Midland Holdings, Valuwit Assets Limited, Luck Gain Holdings Limited and Wealth Builder Holdings Limited which are substantial shareholders of the Company within the meaning of Part XV of the SFO. She is the daughter of Mr. WONG Kin Yip, Freddie, the Chairman and Non-Executive Director of Midland Holdings and Ms. TANG Mei Lai, Metty, the Non-Executive Director of the Company and the Executive Director of Midland Holdings.

Mr. WONG Hon Shing, Daniel, aged 53, has been appointed as the Executive Director and Chief Executive Officer of the Company since December 2011. He is also a member of the Remuneration Committee and the Nomination Committee and the Chairman of the Risk Committee of the Company.

Mr. WONG is a certified financial planner of The Institute of Financial Planners of Hong Kong. He graduated from The Open University of Hong Kong with a bachelor's degree in business administration and also holds a master degree of science in international real estate from The Hong Kong Polytechnic University. He is a professional member of The Royal Institution of Chartered Surveyors.

Mr. WONG was the Sales Director of the Commercial Department of the Group and from May 2009 to December 2011, he acted as the Chief Operating Officer of the Group. He joined Midland Group in 1994 and joined the Group in 2006. He has over 27 years of experience in non-residential property agency business in Hong Kong. Mr. WONG is a director of various members of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YING Wing Cheung, William, aged 66, has been the Independent Non-Executive Director of the Company since May 2005. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. YING has over 42 years of experience in electronic products manufacturing business and is well versed in marketing and corporate strategic planning. He is currently the managing director of Way Mild Company Limited and a director of Yangzhou Jiangwei Electronics Technology Co. Ltd.

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

Mr. SHA Pau, Eric, aged 59, has been the Independent Non-Executive Director of the Company since March 2006. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. SHA is the founder and is currently the managing director of Konda Industries Limited, a special leather goods manufacturing and exporting firm. He has over 31 years of solid experience in international marketing field and specialises in corporate strategy formulation, overall management and marketing. Mr. SHA holds a bachelor's degree in arts from the University of Windsor, Ontario, Canada.

Mr. HO Kwan Tat, Ted, aged 52, has been the Independent Non-Executive Director of the Company since December 2007. He is also the Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

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

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

ALTERNATE DIRECTOR

Mr. CHU Kuo Fai, Gordon, aged 51, has been the alternate director to Mr. TSANG Link Carl, Brian since February 2012. Mr. CHU is currently a practising solicitor in Hong Kong and is a partner of Lu, Lai & Li Solicitors & Notaries, the legal adviser of the Company and Midland Holdings. Mr. CHU graduated from King's College London with an LLB Degree. He is also admitted to practise law in England and Wales, Australian Capital Territory, New York, Queensland and New South Wales.

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “Code”) as stated in Appendix 14 to the Listing Rules throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

(i) Board Responsibilities and Delegation

The Board is responsible for the management of the Company, which includes, inter alia, formulating business strategies, directing and supervising the Company’s affairs, approving interim and annual reports, announcements of interim and annual results, considering dividend policy, and approving the grant of share options or any change in the capital structure of the Company.

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

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

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

(ii) Board Composition

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

Non-Executive Directors

Mr. KAN Chung Nin, Tony (*Chairman*)

Ms. TANG Mei Lai, Metty

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

Executive Directors

Ms. WONG Ching Yi, Angela

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

Independent Non-Executive Directors

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

BOARD OF DIRECTORS (Continued)

(ii) Board Composition (Continued)

Save as and except Ms. TANG Mei Lai, Metty is the mother of Ms. WONG Ching Yi, Angela, none of the members of the Board are related to one another. The biographical details of the Directors are set out in the section of "Profile of Directors" on pages 7 to 10 of this Annual Report.

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

(iii) Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are separated.

Mr. KAN Chung Nin, Tony is the Chairman of the Company. The Chairman of the Company leads the Board and is responsible for ensuring that the Board functions effectively and acts in the best interests of the Company.

Mr. WONG Hon Shing, Daniel is the Chief Executive Officer of the Company. The Chief Executive Officer of the Company is responsible for formulating the corporate and business strategies and development, and the implementation of strategies and policies to achieve the overall objectives of the Group.

(iv) Board Meetings and Directors' Attendance

During the year ended 31 December 2016, the Board held seven meetings to discuss and approve, inter alia, the interim and annual results and other significant issues of the Group. At least 14 days' notice of regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings. Individual attendance records of each of the Directors at the respective Board, committees and general meetings are set out on page 17 of this Annual Report.

(v) Non-Executive Directors

Mr. KAN Chung Nin, Tony, Ms. TANG Mei Lai, Metty and Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate), all being the Non-Executive Directors, have been appointed for a specific term of one and a half years, two years and one year respectively. Mr. HO Kwan Tat, Ted and Mr. SHA Pau, Eric, both the Independent Non-Executive Directors, have been appointed for a specific term of one and a half years whereas Mr. YING Wing Cheung, William, the Independent Non-Executive Director, has been appointed for a specific term of two years. They are all subject to retirement by rotation and shall be eligible for re-election at the Company's annual general meeting at least once every three years in accordance with the articles of association of the Company.

Throughout the year ended 31 December 2016 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.

BOARD OF DIRECTORS (Continued)

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

In accordance with the Company's articles of association, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation but are eligible for re-election by shareholders at the annual general meeting provided that every Director is subject to retirement by rotation at least once every three years. If an Independent Non-Executive Director serves more than nine 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 following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

(vii) Directors' Training

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

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

During the year, the Company arranged a session and provided reading materials covering corporate governance and regulatory development to the Directors. A summary of the record of training received by the Directors during the year 2016 is as follows:

	Training on corporate governance, regulatory development and/or other suitable topics
<i>Non-Executive Directors</i>	
Mr. KAN Chung Nin, Tony	✓
Ms. TANG Mei Lai, Metty	✓
Mr. TSANG Link Carl, Brian	✓
Mr. CHU Kuo Fai, Gordon	✓
<i>(alternate director to Mr. TSANG Link Carl, Brian)</i>	
<i>Executive Directors</i>	
Ms. WONG Ching Yi, Angela	✓
Mr. WONG Hon Shing, Daniel	✓
<i>Independent Non-Executive Directors</i>	
Mr. YING Wing Cheung, William	✓
Mr. SHA Pau, Eric	✓
Mr. HO Kwan Tat, Ted	✓

BOARD COMMITTEES

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

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

(i) Executive Committee

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

(ii) Audit Committee

As at the date of this Annual Report, the Audit Committee is chaired by Mr. HO Kwan Tat, Ted, with two other members, namely Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, all being the Independent Non-Executive Directors. Mr. HO Kwan Tat, Ted is a practising certified public accountant with extensive experience and expertise in professional accounting, auditing and taxation.

The Audit Committee is mainly responsible for, inter alia, reviewing the Group's financial statements including the interim and annual results and reports, the effectiveness of the Group's financial controls and internal control systems, and reviewing the Group's financial and accounting policies and practices. The Audit Committee makes recommendation to the Board on the selection and remuneration of the external auditor, and reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The written terms of reference of the Audit Committee setting out its roles and responsibilities had been revised on 1 January 2016 and are available on the websites of the Company and the Stock Exchange.

During the year, three Audit Committee meetings were held to review the interim and annual reports with relevant announcements and financial statements, consider the reports from PricewaterhouseCoopers on the interim review of the financial information and the annual audit of the financial statements, review the audit strategy, work scope, quality, fees and terms of engagement for audit and non-audit services from the external auditor and assess its independence, recommend the re-appointment of PricewaterhouseCoopers as the auditor based on its review and assessment, review the internal audit report and monitor the implementation of the recommended actions as well as the effectiveness of the internal control system, approve the internal audit plan, and review the continuing connected transactions and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. External auditor of the Company were invited to attend and discuss at the Audit Committee meetings. There was no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor of the Company.

For the year ended 31 December 2016, 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.

BOARD COMMITTEES (Continued)

(iii) Remuneration Committee

As at the date of this Annual Report, the Remuneration Committee is chaired by Mr. HO Kwan Tat, Ted, being the Independent Non-Executive Director, with four other members, namely Mr. KAN Chung Nin, Tony, Mr. WONG Hon Shing, Daniel, Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric. During the year, Mr. KAN Chung Nin, Tony was appointed, and Ms. TANG Mei Lai, Metty ceased to be, a member of the Remuneration Committee with effect from 18 October 2016. Majority of the Remuneration Committee members are Independent Non-Executive Directors.

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

The work of the Remuneration Committee during the year included reviewing and recommending the remuneration packages of the Executive Directors to the Board for approval, reviewing the Group's overall remuneration, reviewing and recommending the remuneration of the Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval, and recommending the remuneration of a candidate who was proposed to be appointed as Non-Executive Director and Chairman of the Company to the Board for approval. No Director or any of his/her associate was involved in deciding his/her own remuneration. During the year, four Remuneration Committee meetings were held.

The remuneration of the members of the senior management, being the Executive Directors, by band for the year ended 31 December 2016 is set out below:

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

Details of Directors' emoluments and five highest paid individuals during the year are set out in note 9 to the consolidated financial statements on pages 71 to 73 of this Annual Report.

(iv) Nomination Committee

As at the date of this Annual Report, the Nomination Committee is chaired by Mr. KAN Chung Nin, Tony, being the Non-Executive Director, with four other members, namely Mr. WONG Hon Shing, Daniel, Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted. During the year, Mr. KAN Chung Nin, Tony was appointed, and Ms. TANG Mei Lai, Metty ceased to be, the chairman and member of the Nomination Committee with effect from 18 October 2016. Majority of the Nomination Committee members are Independent Non-Executive Directors.

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

BOARD COMMITTEES (Continued)

(iv) Nomination Committee (Continued)

The work of the Nomination Committee during the year included reviewing the structure, size and composition of the Board, assessing the independence of the Independent Non-Executive Directors, making recommendation to the Board for endorsement on the re-election of the retiring Directors, identifying individuals suitably qualified to become Director and Chairman of the Company by assessing the candidate's experience, skills, knowledge and time commitment to carry out the duties and responsibilities of the Directors and making recommendation to the Board for approval on change of composition of Board and Board committees, reviewing the board diversity policy and making recommendation to the Board for approval on the renewal of term of appointment of an Executive Director, two Non-Executive Directors and two Independent Non-Executive Directors. During the year, four Nomination Committee meetings were held.

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

(v) Risk Committee

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

During the year, the Risk Committee held two meetings to receive report on the results of the review of the risk management system and opinion, discuss the measures to the risks (which may have significant impact to the Group) identified, and review the effectiveness of the risk management system.

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

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, Risk Committee and general meetings for the year ended 31 December 2016 are set out below:

Directors	Number of Meetings Attended/Held						Extraordinary General Meeting held on	Extraordinary General Meeting held on
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Annual General Meeting	13 January 2016	21 November 2016
<i>Non-Executive Directors</i>								
Mr. KAN Chung Nin, Tony <i>(Note 1)</i>	2/2	N/A	1/1	1/1	N/A	N/A	N/A	1/1
Ms. TANG Mei Lai, Metty <i>(Note 2)</i>	7/7	N/A	3/3	3/3	N/A	1/1	1/1	0/1
Mr. TSANG Link Carl, Brian	3/7	N/A	N/A	N/A	N/A	0/1	0/1	0/1
Mr. CHU Kuo Fai, Gordon <i>(alternate director to Mr. TSANG Link Carl, Brian)</i>	4/7	N/A	N/A	N/A	N/A	1/1	1/1	0/1
<i>Executive Directors</i>								
Ms. WONG Ching Yi, Angela	7/7	N/A	N/A	N/A	N/A	1/1	1/1	1/1
Mr. WONG Hon Shing, Daniel	7/7	N/A	4/4	4/4	2/2	1/1	1/1	1/1
<i>Independent Non-Executive Directors</i>								
Mr. YING Wing Cheung, William	7/7	3/3	4/4	4/4	N/A	1/1	1/1	1/1
Mr. SHA Pau, Eric	7/7	3/3	4/4	4/4	N/A	1/1	1/1	1/1
Mr. HO Kwan Tat, Ted	5/7	2/3	3/4	3/4	N/A	0/1	1/1	1/1

Notes:

- Mr. KAN Chung Nin, Tony was appointed as Non-Executive Director, the Chairman of the Board, the chairman and member of the Nomination Committee and a member of the Remuneration Committee with effect from 18 October 2016.
- Ms. TANG Mei Lai, Metty was re-designated from the Chairman of the Board and Non-Executive Director to Non-Executive Director, and ceased to be the chairman and member of the Nomination Committee and a member of the Remuneration Committee, all with effect from 18 October 2016.
- Other members of the Risk Committee are not Directors.

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 at all applicable times during the year ended 31 December 2016.

DIRECTORS' INTERESTS

Details of Directors' interests in the shares, underlying shares and debentures of the Company and its associated corporation are set out in the Report of the Directors on pages 31 to 32 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 2016 and of the Group's results and cash flows for the year ended 31 December 2016. In preparing the financial statements for the year ended 31 December 2016, the Directors selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The reporting responsibilities of the independent auditor of the Company on the 2016 financial statements of the Group are set out in the "Independent Auditor's Report" on pages 45 to 49 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

The remuneration payable or paid to the Group's independent external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group for the year ended 31 December 2016 amounted to approximately HK\$806,000 (2015: HK\$806,000) and HK\$391,000 (2015: HK\$391,000) respectively. The non-audit services mainly include interim results review, taxation and other professional services.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibilities for maintaining effective risk management and internal control systems of the Group and determining the nature and extent of the risks it is willing to take in achieving the Group's objectives. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Committee assists the Board in deciding the Group's risk level and risk appetite, considering the Group's risk management strategies and giving guidelines where appropriate, and ensuring the soundness and effectiveness of the Group's risk management system. The risk management process involves identification, analysis, evaluation, mitigation, reporting and monitoring of risks.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

The Group's internal control systems comprises, among others, a well-defined governance structure with clearly defined lines of responsibility and authority and relevant financial, operational and compliance controls and risk management procedures are in place. The Executive Directors review monthly management reports and hold periodical meetings with senior operational and finance management to discuss business performance and market outlooks.

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.

The risks which may have significant impact to the Group were identified from internal and external environments and were managed properly. An annual review of the internal control and risk management systems of the Group for the year ended 31 December 2016 was conducted, and report on the results of the review and opinion were submitted to the Audit Committee and the Risk Committee. The Audit Committee and the Risk Committee reviewed the reports and followed up on the implementation of the action plan, and reported to the Board.

Based on the reports from the Audit Committee and the Risk Committee, the Board is satisfied with the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016 as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

INSIDE INFORMATION

The Company has established the Inside Information Team to identify, assess and escalate potentially inside information for the attention of the Board and monitor the routine oversight of the Group's disclosure obligations. Policy and Procedures on Disclosure of Inside Information are adopted which set out the guidelines and controls to ensure the inside information can be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

COMPANY SECRETARY

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (Continued)

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

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

The 2016 annual general meeting of the Company was held on 21 June 2016. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including the re-election of individual 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 Chairmen of the Board, the Nomination Committee and the Risk Committee, the duly appointed delegates and members of the Audit Committee and the Remuneration Committee as well as the representative of PricewaterhouseCoopers attended the 2016 annual general meeting and had effective communication with shareholders of the Company.

Two extraordinary general meetings of the Company were held on 13 January 2016 and 21 November 2016 to approve, inter alia, the Cross Referral Services Agreement (2015) (as defined under the section headed "CONTINUING CONNECTED TRANSACTIONS" in this Annual Report), the transactions under the Cross Referral Services Agreement (2015) and the maximum annual amounts of referral fees expected to be paid or received by the Group in connection with the services under the Cross Referral Services Agreement (2015) for the financial year ended 31 December 2016 and the years ending 31 December 2017 and 2018, and the New Annual Cap (as defined under the section headed "CONTINUING CONNECTED TRANSACTIONS" in this Annual Report), respectively. The Chairmen of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee attended both extraordinary general meetings of the Company held during the year.

During the year, there were no changes to the memorandum and articles of association of the Company.

SHAREHOLDERS' RIGHTS

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

The Board shall, at all times, on the requisition in writing to the Board or the Company Secretary of the Company by one or more shareholders 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 (the "Eligible Shareholder(s)"), forthwith proceed to convene an EGM in accordance with the articles of association of the Company.

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

SHAREHOLDERS' RIGHTS (Continued)

(ii) Procedures for Putting Forward Proposals at EGM

Eligible Shareholders who wish to require an EGM to be called by the Board for the purpose of making proposals at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal office of the Company in Hong Kong at Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong for the attention of "Manager, Company Secretarial Department".

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

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

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

(iii) Shareholders' Enquiries

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

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules and includes all the operations of the Group for the year ended 31 December 2016.

ENVIRONMENT

Emissions

Greenhouse gas emissions are an important factor to cause climate change. In order to avoid the acceleration of global warming, the Group has developed environmental policies to reduce the greenhouse gas emissions in our daily operations, including:

Energy Conservation Policy

Our branches and offices use more energy-efficient electrical appliances and office equipment. Their design has taken into account environmental considerations, such as maximizing the natural light to reduce lighting installation and painting the walls and ceilings with lighter color to enhance reflectivity and lighting efficiency, thereby minimizing the load of the lighting system.

Business Trip Reduction Policy

Employees are encouraged to use long-distance telephone calls, video conference and other online communication tools to reduce and substitute business trips, which help to prevent the aggravation of air pollution.

Support Local Supplier Sourcing Policy

Upon satisfying with our requirements, preferences will be given to local suppliers. In the procurement process, purchased items will be consolidated to minimize shipment frequency, which help to lower vehicle emissions.

Stakeholder Education Policy

The Group embraces the idea of “4R”, namely “Reduce, Reuse, Recycle and Replace”, in promoting environmental protection. In order to promote environmental protection awareness, the Group disseminates information on environmental protection by internal message.

Indoor Air Quality Policy

Controlling the source of gas emissions is the most direct and effective way to improve indoor air quality. The Group places the copiers away from the working area of our employees and arrange regular cleaning for air-conditioners and air filters as well as providing air purifiers to enhance energy efficiency.

ENVIRONMENT (Continued)

Use of Resources

Multiple energy conservation measures are implemented to preserve resources, including:

Electricity Saving Measure

- Use energy-efficient products, such as LED lights and sensor switch devices;
- Maximize the natural light and use proper zoning measure so that lighting and air-conditioning systems can be turned off when they are not in use;
- Automatic turn off of unused electrical appliances at the preset time; and
- Install timers to properly control the operating time of external lightings and electrical equipment in the branches.

Water Conservation Measure

- Remind employees to conserve water by posting signs in the pantry.

Sustainable procurement

- Preference will be given to office equipment with relatively high energy efficiency; and
- Purchase Forest Stewardship Council (FSC) certified papers.

Maximization of resources

- Recycle devices and equipment to reduce waste.

During the reporting period, the electricity and water consumption of the Group are as follows:

Resources	Consumption
Electricity	745,304 kWh
Water	171.60 Liters ^(Note)

Note: Only including 4 branches

Environment and Natural Resources

The Group is committed to support green activities. In 2016, the Group signed the “Charter on External Lighting” promising to switch off the external lighting at preset time to reduce light pollution.

SOCIETY

Employment

In addition to complying with employment related ordinances such as Employment Ordinance, Minimum Wage Ordinance, Personal Data (Privacy) Ordinance, the ordinances relating to disability, sex, family status and race discrimination as well as the ordinance relating to occupational safety and health, the Group has also developed employment policies to ensure equal treatment to our employees.

Regarding the policy on recruitment and promotion, the Group upholds the principle of equality and strives to provide an equal and harmonious working environment. Decision on recruitment and promotion is made by reference to the experience, performance, and other relevant factors and will not take into account the family status, gender, age or race.

In addition to providing employees with mandatory provident fund scheme and labour insurance in accordance with the laws, the Group also has relief policy for employees and their families in case of severe illness and death of employees.

The Group provides employees with competitive remuneration packages by reference to the market trend, individual performance, experience and competence, and awards discretionary bonus or profit-related incentives to eligible employees based on the performance of the employees and the Group. In order to recognise the employees' hard work and contribution, enhance their sense of belonging and establish harmonious working environment, the Group also provides various welfares, including but not limited to:

- Medical care plan;
- Trip allowance;
- Mobile phone allowance;
- Examination leave;
- Birthday leave;
- Compassionate leave;
- Marriage leave;
- Volunteer leave;
- Family care leave;
- Extra maternity leave;
- Employee discount on sale, purchase or leasing of properties;
- Training sponsorship;
- Benefits for senior employees; and
- Motivational Campaign – sponsorship employee activities.

SOCIETY (Continued)

Health and Safety

The Group attaches great importance to occupational safety and health of employee and is committed to provide comfortable and safe working environment and raise the employee's awareness on occupational safety and health, including:

- Conduct risk assessment for the workplace on a regular basis and take appropriate measures to minimize the risk; and
- Issue dress standards for field operation under the Hot Weather Warning to reduce the risk of sunstroke.

As a responsible employer, the Group has provided all our employees with personal accident insurance, insurance for overseas business travel and employee compensation insurance.

Development and Training

The Group places emphasis on employee development and commits to enhance the employee quality and skills through professional trainings. The Group also organizes seminars on specific topics to broaden the knowledge of the employee. The Group also provides subsidies for supporting the employee's participation in external trainings, professional qualification applications and examinations with the aim that the employees would learn techniques to deal with the changing business environment.

Labour Standards

The principle of the Group's labour standards is to comply with the local labour laws. According to the human resources statistics of the Group, in order to uphold children's rights of safety and health, no employee aged 15 or under was employed during the reporting period. In order to help the employees to get work life balance and release their working pressure, the Group founded "Motivational Campaign" which regularly provides benefits to employees and organizes activities such as football, basketball, badminton, bowling, various interesting classes and workshops. It has provided employees with opportunities to socialize, have better understandings and exchanges between departments, foster the spirit of teamwork and create a pleasant working atmosphere.

Supply Chain Management

In selecting general materials or service providers, the Group will screen through bidding process and give priority to suppliers who are able to supply environmental friendly products. The Group will monitor the performance of suppliers, such as cleaning companies and office equipment companies, through different channels every year, and regularly assess whether the supplier's environmental and social risk policy performance meets the standards.

SOCIETY (Continued)

Product Responsibility

The Group's key customers are property purchasers, vendors, landlords and tenants. The Group considers customers as a major stakeholder, and requires all the frontline staff to provide customers with accurate market information in a professional manner. The Group has specifically established Online to Offline (O2O) platform and customer relationship management, and aims to improve user experience through customer review and diversified social and digital platforms. Mystery shoppers also conduct inspections to improve customer service.

The Group also established a customer relationship team. Customers can send their comment via hotline, email, mail or visiting. The customer relationship team will work and follow up with the relevant parties in arriving at reasonable solutions. The results and follow-up process will be documented.

Anti-corruption

To ensure operation efficiency and employees' development in a fair and honest working environment, the Group has formulated policies, established procedures for declaration and reporting of conflict of interest and provided channel for employees to report internal misconduct. The Group has also appointed a specific department to handle and investigate those issues.

Community Investment

The Group participates in community activities that help establish positive image of the industry and the Group. The cooperating entities include non-profit organization, universities, colleges and secondary schools. The Group would evaluate the activity objectives, number of beneficiaries, participation frequencies and hours, and number of employees participated after each activity. Based on such evaluation, the community event plan of the coming year will be decided.

During the reporting period, the Group has participated in the following community activities:

Activity name	Host organization	Content	Beneficiary	Date
Bright Angel Senior Citizen Visiting Program	Jointly sponsored by Midland IC&I and The Salvation Army	Visit 6 senior citizens after their cataract surgeries	Senior citizens with visual impairment	29/04/2016
Summer Placement Scholarship 2016	Hong Kong Polytechnic University	Career consultation	Student	20/06/2016-12/08/2016
Warm Wind-Visiting program	Jointly sponsored by Midland IC&I and The Salvation Army	Deliver electric fans to senior citizens	Disadvantaged senior citizens	28/07/2016
Work experience plan	Hong Kong College of Technology	Work shadow study	Student	03/09/2016
Passing Warm – Senior Citizens Visiting Program	Jointly sponsored by Hong Kong Property Services (IC&I) Limited and The Salvation Army	Deliver electric kettles to senior citizens	Under-privileged senior citizens	13/10/2016

AWARDS AND ACHIEVEMENTS

During the reporting period, the Group received many awards and achievements, including:

Award/Achievement	Issuing institution
Excellent Business Agent Brand	Metro Finance
Participate in “Charter on External Lighting”	Government of Hong Kong – Environment Bureau
Distinguished Sales Award (8 Employees received the award)	The Hong Kong Management Association
Hong Kong Green Organization Certification – Excellence Level	Environmental Campaign Committee
Family-Friendly Employers Award Scheme – Special Mention	Home Affairs Bureau and Family Council
Family-Friendly Employers Award Scheme – Family Friendly Employer	Home Affairs Bureau and Family Council
Family-Friendly Employers Award Scheme – Awards for Breastfeeding Support	Home Affairs Bureau and Family Council
Partner Employer Award 2016/2017	The Hong Kong General Chamber of Small and Medium Business
	
Manpower Development Scheme – ERB Merit Award for Employers	Employees Retraining Board
	

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

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 31 to the consolidated financial statements.

Details of the analysis of the Group's performance for the year ended 31 December 2016 by operating segments are set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income on page 50 of this Annual Report.

The Board did not declare an interim dividend for the six months ended 30 June 2016 (2015: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

BUSINESS REVIEW

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year 2016 as well as discussion on the future business development of the Group are provided in the Letter from Chief Executive Officer on pages 3 to 6 and the Management Discussion and Analysis on pages 43 to 44 of this Annual Report. Description of the principal risks and uncertainties facing by the Group can be found in the Letter from Chief Executive Officer on pages 3 to 6 and note 4 to the consolidated financial statements on pages 64 to 66 of this Annual Report. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on pages 43 to 44 of this Annual Report. A discussion of the Group's environmental policies and performance is provided in the Environmental, Social and Governance Report on pages 22 to 27 of this Annual Report. The above sections form part of this report.

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

Relationships with key stakeholders

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

Employees

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

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

BUSINESS REVIEW (Continued)

Relationships with key stakeholders (Continued)

Customers

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

Shareholders

The Group is committed to enhancing the shareholders' value and safeguarding the shareholders' interest through sound and effective corporate governance practices and procedures. Further discussion of the corporate governance practices and procedures is set out in the Corporate Governance Report on pages 11 to 21 of this Annual Report.

Compliance with the relevant laws and regulations

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

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

On the corporate level, the Company is committed to complying with the requirements under the Listing Rules and the SFO such as disclosure of information and corporate governance. The Company has complied with the code provisions set out in the Code throughout the year ended 31 December 2016. The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 21 and note 30 to the consolidated financial statements respectively.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK\$195,000 (2015: HK\$208,000).

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 16 to the consolidated financial statements. Details of the properties held for investment purposes are set out on page 91 of this Annual Report.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2016, the reserves of the Company available for distribution to shareholders comprised the share premium, contributed surplus and retained earnings which in aggregate amounted to HK\$1,071,311,000 (2015: HK\$1,070,020,000). Under the Companies Law of the Cayman Islands, the share premium of the Company may be applied for paying distributions or dividends to shareholders subject to the provisions of the Company's articles of association and provided that immediately following the payment of distributions or dividends, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 92 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 ended 31 December 2016.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2016 and up to the date of this report are as follows:

Non-Executive Directors

Mr. KAN Chung Nin, Tony (*Chairman*) (*appointed as Chairman and Non-Executive Director with effect from 18 October 2016*)

Ms. TANG Mei Lai, Metty (*re-designated from Chairman and*

Non-Executive Director to Non-Executive Director with effect from 18 October 2016)

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

Executive Directors

Ms. WONG Ching Yi, Angela

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

Independent Non-Executive Directors

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

According to Article 86(3) of the articles of association of the Company, Mr. KAN Chung Nin, Tony, being the Director appointed during the year, shall hold office only until the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, shall offer himself for re-election. Ms. WONG Ching Yi, Angela, Mr. YING Wing Cheung, William and Mr. HO Kwan Tat, Ted shall retire by rotation at the forthcoming AGM in accordance with Article 87 of the articles of association of the Company and, being eligible, shall offer themselves for re-election.

The Company received from all Independent Non-Executive Directors annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all Independent Non-Executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

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

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares nor requiring the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the year.

Details of the share option scheme of the Company are set out in the section headed "SHARE OPTION SCHEME" in this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued voting shares of the Company
Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	929,150,720 <i>(Note 1)</i>	-	929,150,720	6.78%
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	20,000,000	15,000,000 <i>(Note 2)</i>	35,000,000	0.26%
Mr. YING Wing Cheung, William	Personal interest/ Beneficial owner	3,000,000	-	3,000,000	0.02%

Notes:

- These shares were held directly and indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as ultimate beneficial owner.
- These underlying shares were held by Mr. WONG Hon Shing, Daniel, by virtue of the interests in the share options of the Company granted to him.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

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

Name of associated corporation	Name of Director	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued voting shares of associated corporation
Midland Holdings (Note 3)	Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	185,830,144 (Note 4)	7,209,160 (Note 5)	193,039,304	26.88%
		Personal interest/ Beneficial owner	-	7,209,160 (Note 6)	7,209,160	1.00%
Midland Holdings (Note 3)	Ms. WONG Ching Yi, Angela	Personal interest/ Beneficial owner	-	7,209,160 (Note 7)	7,209,160	1.00%

Notes:

- In December 2016, Midland Holdings paid dividend in specie by distributing 5 shares of the Company for every 1 share of Midland Holdings held by its own shareholders. After the distribution, Midland Holdings ceased to be an associated corporation (within the meaning of Part XV of the SFO) of the Company.
- These shares were held directly or indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as ultimate beneficial owner.
- These underlying shares were held by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, by virtue of the interests in the share options of Midland Holdings granted to him.
- These underlying shares were held by Ms. TANG Mei Lai, Metty, by virtue of the interests in the share options of Midland Holdings granted to her.
- These underlying shares were held by Ms. WONG Ching Yi, Angela, by virtue of the interests in the share options of Midland Holdings granted to her.

Saved as disclosed above, as at 31 December 2016, 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 by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, none of the Company, any of its subsidiaries, its fellow subsidiaries or its parent company was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, 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 by the Company under section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Number of ordinary shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Midland Holdings Limited	6,109,769,975 <i>(Note 1)</i>	Interest of controlled corporation/Corporate interest	44.58%
Valuwit Assets Limited	6,109,769,975 <i>(Note 1)</i>	Beneficial owner/ Beneficial interest	44.58%
Southern Field Trading Limited	806,700,720 <i>(Note 2)</i>	Interest of controlled corporation/Corporate interest	5.89%
Sunluck Services Limited	806,700,720 <i>(Note 2)</i>	Beneficial owner/ Beneficial interest	5.89%
Mr. WONG Kin Yip, Freddie <i>(Note 3)</i>	122,450,000	Beneficial owner/ Beneficial interest	0.89%
	806,700,720 <i>(Note 2)</i>	Interest of controlled corporation/Corporate interest	5.89%

Notes:

1. Midland Holdings was deemed to be interested in the 6,109,769,975 shares held by its indirect wholly-owned subsidiary, Valuwit Assets Limited, under the SFO.
2. These shares were held by Sunluck Services Limited which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited.
3. The 929,150,720 shares held by Mr. WONG Kin Yip, Freddie relate to the same block of shares of the Company as disclosed under Ms. TANG Mei Lai, Metty in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES".

Save as disclosed above, as at 31 December 2016, 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 by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

At the Company's extraordinary general meeting held on 19 September 2008, the Share Option Scheme was adopted by the Company and approved by its shareholders.

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

(a) Purposes of the Share Option Scheme

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

(b) Participants of the Share Option Scheme

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

"eligible person" 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 the Company, any of its affiliates or any Invested Entity, or any of their respective associates or chief executives or substantial shareholder who, as determined by the Board, has contributed or will contribute to the growth and development of the Group or any Invested Entity.

(c) Total number of shares available for issue

The total number of shares available for issue for all outstanding options as at the date of this Annual Report is 125,000,000, representing approximately 0.69% of the issued shares of the Company. The total number of shares available for issue in respect of options which may be granted is 700,000,000, representing approximately 3.88% of the issued shares of the Company as at the date of this Annual Report.

(d) Maximum entitlement of each eligible person

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

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

SHARE OPTION SCHEME (Continued)

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

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

Any further grant of share options in excess of the above-mentioned limit shall be separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland Holdings, by the shareholders of Midland Holdings with all connected persons of the Company and, for so long as the Company remains a subsidiary of Midland Holdings, of Midland Holdings 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 Share Option Scheme at any time during a period within which the option shall be exercised, to be notified by the Board to each eligible person who accepts an offer in accordance with the terms of the Share Option Scheme, provided that it shall commence on a date not more than ten years from the date of grant.

(g) Acceptance of offer

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

(h) Basis of determining the exercise price

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

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

(i) Remaining life of the Share Option Scheme

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

SHARE OPTION SCHEME (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 2016	Exercisable period
			Balance outstanding as at 1 January 2016	Granted during the year	Cancelled/lapsed during the year	Exercised during the year		
Directors of the Company								
Mr. WONG Hon Shing, Daniel	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2016 to 14 December 2019
Mr. TSANG Link Carl, Brian	2 September 2011	0.053	5,000,000	-	(5,000,000) <i>(Note)</i>	-	-	1 October 2011 to 30 September 2016
Mr. YING Wing Cheung, William	2 September 2011	0.053	5,000,000	-	(5,000,000) <i>(Note)</i>	-	-	1 October 2011 to 30 September 2016
Mr. SHA Pau, Eric	2 September 2011	0.053	5,000,000	-	(5,000,000) <i>(Note)</i>	-	-	1 October 2011 to 30 September 2016
Mr. HO Kwan Tat, Ted	2 September 2011	0.053	5,000,000	-	(5,000,000) <i>(Note)</i>	-	-	1 October 2011 to 30 September 2016

SHARE OPTION SCHEME (Continued)

Name of director	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 31 December 2016	Exercisable period
			Balance outstanding as at 1 January 2016	Granted during the year	Cancelled/lapsed during the year	Exercised during the year		
Directors of Midland Holdings								
Mr. WONG Tsz Wa, Pierre	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2016 to 14 December 2019
Mr. CHEUNG Kam Shing	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2016 to 14 December 2019
Ms. IP Kit Yee, Kitty	10 December 2014	0.044	3,330,000	-	-	-	3,330,000	15 December 2014 to 14 December 2019
	10 December 2014	0.044	3,330,000	-	-	-	3,330,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	3,340,000	-	-	-	3,340,000	15 December 2016 to 14 December 2019
Total			145,000,000	-	(20,000,000)	-	125,000,000	

Note: Share options were lapsed on 1 October 2016.

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

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total revenues of the Group during the year ended 31 December 2016.

The Group had no major suppliers due to the nature of the principal activities of the Group.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. The significant related party transactions entered into by the Group during the year set out in note 28 to the consolidated financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

CONTINUING CONNECTED TRANSACTIONS

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

1. A tenancy agreement was made on 27 April 2016 between Midland Alliance Limited ("Midland Alliance"), an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited ("Shun Yik"), a company directly wholly owned by an associate of Ms. TANG Mei Lai, Metty, a Non-Executive Director of the Company (as at the date of the agreement, Ms. TANG Mei Lai, Metty was the Chairman and a Non-Executive Director of the Company) and Ms. WONG Ching Yi, Angela, an Executive Director of the Company, as landlord whereby the landlord agreed to let the premises located at Nos. 11-17, 7th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Kowloon as office for the real estate agency business of the Group for a term of two years commencing from 1 May 2016 to 30 April 2018 at a monthly rental of HK\$195,000 for the period from 1 May 2016 to 30 April 2017 and HK\$207,000 for the period from 1 May 2017 to 30 April 2018 without rent-free period and option to renew (details of which were disclosed in the announcement of the Company dated 27 April 2016).
2. A tenancy agreement was made on 21 August 2014 between Midland Alliance, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik, a company directly wholly owned by an associate of Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela, as landlord whereby the landlord agreed to let the premises located at No. 17, 7th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Kowloon as office for the real estate agency business of the Group for a term of one year 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 (details of which were disclosed in the announcement of the Company dated 27 April 2016).
3. A licence agreement was made on 15 December 2015 between Crown Lucky Investment Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner Investment Limited, a company indirectly wholly owned by an associate of Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela, as licensor whereby a licence was granted to install billboard 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 2015 to 31 October 2017 at a monthly licence fee of HK\$82,000 with right to terminate in which either party shall be entitled to terminate the licence by giving to the other party one month's prior notice in writing during the term of the licence (details of which were disclosed in the announcement of the Company dated 27 April 2016).

CONTINUING CONNECTED TRANSACTIONS (Continued)

4. A tenancy agreement was made on 7 April 2014 between Midland Alliance, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik, a company directly wholly owned by an associate of Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela, as landlord whereby the landlord agreed to let the premises located at Nos. 11-16, 7th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Kowloon as office for the real estate agency business 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 (details of which were disclosed in the announcement of the Company dated 7 April 2014).
5. A services agreement (the "Services Agreement") was made on 7 April 2014 between the Company and Midland Holdings, the controlling shareholder (as defined under the Listing Rules) and the then holding company of the Company, whereby Midland Holdings may refer prospective purchasers of property in Hong Kong to the Company to apply for certain cashier's order payments in favour of property developers or any entity designated by such property developers. The service fees (exclusive of disbursements) payable or procured to be paid by Midland Holdings to the relevant member of the Group in connection with each cashier's order which is provided or renewed by the relevant member of the Group pursuant to the Services Agreement shall be charged at the rate of 0.125% of the face value of the cashier's order for every 15 day period. Midland Holdings and the Company acknowledged and agreed that the aggregate value of cashier's orders issued but not returned to the relevant member of the Group at any one time in connection with the services provided pursuant to the Services Agreement shall not exceed HK\$400,000,000. The said transactions would provide flexibility to the Group to utilise its surplus cash at its discretion for an enhanced return. The term of the Services Agreement is three years commencing from 1 January 2014 to 31 December 2016.

Under the Services Agreement, the maximum annual amount of the fees paid/payable by the relevant members of Midland Group to the Group under the Services Agreement for the years ended 31 December 2014, 2015 and 2016 had been fixed at HK\$10 million, HK\$12 million and HK\$12 million respectively. The aggregate annual value of the service fees paid/payable by the relevant members of Midland Group to the Group under the Services Agreement in 2016 was approximately HK\$0.4 million, which had not exceeded the maximum aggregate annual value for that year (details relating to the Services Agreement and the annual caps were set out in the announcement of the Company dated 7 April 2014).

6. A tenancy agreement was made on 13 March 2014 between Teamway Group Limited, an indirect wholly-owned subsidiary of the Company, as landlord and City First Limited, an indirect wholly-owned subsidiary of Midland Holdings, as tenant whereby the landlord agreed to let the premises located at the whole of 21st Floor, Ford Glory Plaza, No. 37 Wing Hong Street, Kowloon for generating secure and steady income and providing price certainty on rental for the benefits of the Group for a term of two years commencing from 19 March 2014 to 18 March 2016 at a monthly rental of HK\$175,000 without rent-free period and option to renew (details of which were disclosed in the announcement of the Company dated 13 March 2014).

CONTINUING CONNECTED TRANSACTIONS (Continued)

7. A cross referral services agreement (the “Cross Referral Services Agreement (2015)”) was made on 16 December 2015 between the Company and Midland Holdings in relation to cross referral services provided between the relevant members of Midland Group and of the Group, whereby Midland Group may refer estate agency business in respect of industrial and commercial properties and shops in Hong Kong, Macau and the People’s Republic of China (the “PRC”) to the relevant members of the Group from time to time, and the Group may refer estate agency business in respect of residential properties in Hong Kong, Macau and the PRC to the relevant members of Midland Group from time to time (the “Transactions”). The Transactions had been conducted on a case-by-case basis and on normal commercial terms. The Transactions contemplated thereunder and the relevant annual caps were approved by the independent shareholders of the Company at the extraordinary general meeting held on 13 January 2016.

Under the Cross Referral Services Agreement (2015), the annual caps for the referral fees paid/payable by the Group to Midland Group for the year ended 31 December 2016 and the years ending 31 December 2017 and 2018 had been fixed at HK\$85 million, HK\$90 million and HK\$95 million respectively, while the annual caps for the referral fees paid/payable by Midland Group to the Group for the year ended 31 December 2016 and the years ending 31 December 2017 and 2018 had been fixed at HK\$40 million, HK\$45 million and HK\$50 million respectively (details relating to the Cross Referral Services Agreement (2015) and the annual caps were set out in the announcement and circular of the Company dated 16 December 2015 and 24 December 2015 respectively).

On 27 October 2016, the Company proposed to revise up the maximum annual amounts of referral fees expected to be paid/payable by the Group to Midland Group under the Cross Referral Services Agreement (2015) to HK\$110 million for each of the year ended 31 December 2016 and the years ending 31 December 2017 and 2018 (“New Annual Caps”). The proposed New Annual Caps were approved by the independent shareholders of the Company at the extraordinary general meeting held on 21 November 2016 (details relating to the New Annual Caps were set out in the announcement and circular of the Company dated 27 October 2016 and 4 November 2016 respectively). The aggregate annual values of the referral fees paid/payable by the Group to Midland Group under the Cross Referral Services Agreement (2015) in 2016 were approximately HK\$102.0 million and of the referral fees paid/payable by Midland Group to the Group under the Cross Referral Services Agreement (2015) in 2016 were approximately HK\$26.2 million, which had not exceeded the maximum aggregate annual values for that year.

In this section headed “CONTINUING CONNECTED TRANSACTIONS”, “Midland Group” means Midland Holdings and its subsidiaries (excluding the Group).

Pursuant to Rule 14A.55 of the Listing Rules, the aforesaid continuing connected transactions (the “Continuing Connected Transactions”) have been reviewed by the Independent Non-Executive Directors who have confirmed that the Continuing Connected Transactions have been entered into:

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

CONTINUING CONNECTED TRANSACTIONS (Continued)

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified report containing its findings and conclusions in respect of the Continuing Connected Transactions disclosed on pages 38 to 40 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's report has been provided by the Company to the Stock Exchange.

EVENT AFTER THE REPORTING PERIOD

On 10 January 2017, Beyond Summit Investments Limited, a wholly-owned subsidiary of the Company, as purchaser and Mr. WONG Kin Yip, Freddie, being the chairman and non-executive director of Midland Holdings as well as the spouse of Ms. TANG Mei Lai, Metty and the father of Ms. WONG Ching Yi, Angela, as seller entered into an acquisition agreement, pursuant to which the purchaser has conditionally agreed to acquire and the seller has conditionally agreed to sell the entire shares of Most Wealth (Hong Kong) Limited, a company wholly owned by Mr. WONG Kin Yip, Freddie, at a consideration of HK\$400,000,000. The consideration was settled by a combination of (i) the allotment and issue of the Company's shares in the amount of HK\$200,000,000; and (ii) the issue of the convertible notes in the principal amount of HK\$200,000,000. The principal asset of Most Wealth (Hong Kong) Limited is the entire interest in a property located at Nos. 33 and 35 Java Road, Hong Kong. The acquisition constitutes major transaction and connected transaction of the Company. The transaction was approved by the independent shareholders at the extraordinary general meeting held on 6 March 2017.

Completion of the acquisition took place on 22 March 2017, and the consideration was settled by the allotment and issue of 4,347,826,086 shares of the Company in the amount of HK\$200,000,000 and the issue of convertible note in the principal amount of HK\$200,000,000. Details of the acquisition were set out in the announcement and circular of the Company dated 10 January 2017 and 17 February 2017 respectively.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The head office and principal place of business of the Company in Hong Kong has been changed to Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong with effect from 1 September 2016.

CHANGE IN DIRECTOR'S INFORMATION

Change in the information of Director since the disclosure made in the interim report of the Company for the six months ended 30 June 2016, that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

- Ms. TANG Mei Lai, Metty has been re-designated from Chairman of the Board and a Non-Executive Director to a Non-Executive Director and ceased to be chairman and a member of the Nomination Committee and a member of the Remuneration Committee of the Company with effect from 18 October 2016.

RETIREMENT SCHEME

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2016 are set out in note 31 to the consolidated financial statements.

BANK LOAN

An analysis of bank loan of the Group as at 31 December 2016 is set out in note 23 to the consolidated financial statements. Apart from the aforesaid, the Group had no other borrowings as at 31 December 2016.

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 by the Remuneration Committee and determined by the Board, 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. The Company has a share option scheme as an incentive to the Directors and eligible employees, details of the scheme are set out in the section headed "SHARE OPTION SCHEME".

DIRECTORS' INTEREST IN COMPETING BUSINESS

Subsequent to the cessation of the Company as a subsidiary of Midland Holdings in December 2016, the following Directors had interests in the estate agency business conducted through Midland Group which is considered to compete or are likely to compete, either directly or indirectly, with the business of the Group:

Directors	Name of Company	Interest in the Competing Business
Ms. TANG Mei Lai, Metty	Midland Holdings	Executive Director and Substantial Shareholder
Ms. WONG Ching Yi, Angela	Midland Holdings	Deputy Chairman, Managing Director and Executive Director

As the Board of the Company is independent of the board of directors of Midland Holdings and none of the above Directors can control the Board of the Company, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the business of Midland Group.

Save as disclosed above, none of the Directors had an interest in any business which is compete or are likely to compete, either directly or indirectly, with the business of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, will offer themselves for re-appointment at the AGM.

On behalf of the Board
Midland IC&I Limited

WONG Hon Shing, Daniel
Chief Executive Officer and Executive Director

Hong Kong, 28 March 2017

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2016, the Group had cash and bank balances of HK\$657,661,000 (2015: HK\$675,291,000), whilst bank loan amounted to HK\$7,243,000 (2015: HK\$8,188,000). The Group's bank loan was secured by investment properties held by the Group of HK\$64,400,000 (2015: HK\$60,200,000) and with maturity profile set out as follows:

Repayable	2016 HK\$'000	2015 HK\$'000
Within 1 year	951	946
After 1 year but within 2 years	973	964
After 2 years but within 5 years	3,062	3,004
Over 5 years	2,257	3,274
	7,243	8,188

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

As at 31 December 2016, the Group had unutilised borrowing facilities amounting to HK\$15,000,000 (2015: HK\$15,000,000) from a bank. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loan is in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2016, the gearing ratio of the Group was 1.0% (2015: 1.2%). The gearing ratio is calculated on the basis of the Group's total bank loan over total equity of the Group. The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 3.5 (2015: 4.5). The return on equity of the Group, which is the ratio of profit for the year over total equity, to measure the efficiency of managing equity, was 2.5% (2015: 0.3%).

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

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

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

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

CONTINGENT LIABILITIES

As at 31 December 2016, the Company executed corporate guarantees amounting to HK\$29,780,000 (2015: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2016, HK\$7,243,000 of the banking facilities were utilised by a subsidiary (2015: HK\$8,188,000).

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 consolidated financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND SOURCE OF FUNDING

On 10 January 2017, the Group entered into an acquisition agreement pursuant to which the Group has conditionally agreed to acquire the entire issued shares of Most Wealth (Hong Kong) Limited ("Most Wealth"). The principal asset of Most Wealth is a property in Hong Kong. The consideration is agreed at HK\$400 million and was settled by a combination of (i) the allotment and issue of the Company's shares in the amount of HK\$200 million; and (ii) the issue of the convertible notes in the amount of HK\$200 million. The transaction was completed on 22 March 2017.

The financial position of the Group remains solid and healthy. The consideration was settled by way of shares and convertible note, which will not require immediate cash outlay and will therefore conserve the cash resources of the Group. If the convertible note is converted into shares, it will expand the capital of the Company and further improve the financial position of the Group.

EMPLOYEE INFORMATION

As at 31 December 2016, the Group employed 657 full-time employees (2015: 738).

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, incentives tied in with 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.



羅兵咸永道

TO THE SHAREHOLDERS OF MIDLAND IC&I LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Midland IC&I Limited (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 90, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition for property agency fees
- Impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Revenue recognition for property agency fees</i></p> <p>Refer to notes 3(s) and 5(a) to the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates.</p> <p>We focused on this area because management has made significant and subjective judgements on the amounts of property agency fees to be recognised. For the year ended 31 December 2016, property agency fees amounted to about HK\$518 million, representing 99.5% of the revenue reported by the Group.</p> <p>In order to determine the amounts of property agency fees which can be measured reliably and whether the underlying economic benefits would flow to the Group, management takes into account factors such as market conditions, customers' profiles, contractual terms and other relevant factors. Revenue is recognised only when the uncertainty related to the above factors is removed and it is probable that economic benefits will flow to the Group.</p>	<p>We understood, evaluated and tested the design and operating effectiveness of the key management controls, including the relevant IT systems, over revenue recognition for property agency fees. We determined that we could rely on these controls for the purpose of our audit.</p> <p>We evaluated management's estimate of the amount of agency fees to be recognised by testing, on a sample basis, the property agency fees recognised based on the terms set out in the contracts and other relevant factors. We also took reference to the general market conditions and market data of comparable properties in the same industry and management's knowledge about individual contracted parties in evaluating the estimation.</p> <p>We consider the judgements made by management are supportable by the evidence obtained and procedures performed.</p>

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment of trade receivables</i></p>	
<p>Refer to notes 3(j) and 5(b) to the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates.</p>	<p>We understood, evaluated and tested the design and operating effectiveness of the key management controls over debt collection and impairment assessment process, including relevant IT systems. These controls included those over the identification of which receivable was impaired and the calculation of the impairment provision. We determined that we could rely on these controls for the purpose of our audit.</p>
<p>We focused on this area because there is complex and subjective judgement over both the timing of recognition and the magnitude of trade receivables impairment, which amounted to about HK\$39 million as at 31 December 2016.</p>	<p>We tested the accuracy of the aging of trade receivables on a sample basis by tracing to the respective sale and purchase agreements.</p>
<p>Management estimates impairment of trade receivables that are individually significant by considering the aging profiles of trade receivables, their knowledge about the customers and the market conditions.</p>	<p>We discussed with management the recoverability of those individually significant receivables, corroborating management explanation by checking to the status of underlying transactions, information about contracted parties and subsequent settlements, if any.</p>
<p>In addition, management estimates impairment of the unprovided trade receivables on a collective basis by considering the aging profiles of trade receivables and historical experience.</p>	<p>Where impairment was calculated on a collective basis, we evaluated the basis, calculation model and assumptions used, and tested the underlying data on a sample basis, including evaluating the outcome of management's estimations in the prior years.</p>
	<p>We consider the estimates made by management were within a reasonable range based on the procedures performed.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Lap Yam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenues	6(a)	520,268	470,143
Other income	7	4,985	2,359
Staff costs	8	(247,338)	(251,004)
Rebate incentives		(148,755)	(90,892)
Advertising and promotion expenses		(14,138)	(21,148)
Operating lease charges in respect of office and shop premises		(39,195)	(37,593)
Impairment of receivables		(21,386)	(26,012)
Depreciation expenses		(4,088)	(4,445)
Other operating costs		(28,986)	(37,125)
Operating profit	10	21,367	4,283
Finance income	11	2,129	1,953
Finance costs	11	(150)	(164)
Profit before taxation		23,346	6,072
Taxation	12	(5,246)	(3,701)
Profit and total comprehensive income for the year attributable to equity holders		18,100	2,371
		HK cents	HK cents
Earnings per share	14		
Basic		0.132	0.017
Diluted		0.132	0.017

	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	15	4,793	7,169
Investment properties	16	64,400	60,200
Deferred taxation assets	17	2,280	1,934
		<u>71,473</u>	<u>69,303</u>
Current assets			
Trade and other receivables	18	265,097	146,200
Tax recoverable		1,812	1,876
Cash and bank balances	19	657,661	675,291
		<u>924,570</u>	<u>823,367</u>
Total assets		<u>996,043</u>	<u>892,670</u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital	20	137,050	137,050
Share premium	20	549,433	549,433
Reserves	21	42,823	24,318
Total equity		<u>729,306</u>	<u>710,801</u>
LIABILITIES			
Non-current liabilities			
Deferred taxation liabilities	17	631	540
Current liabilities			
Trade and other payables	22	256,469	173,141
Bank loan	23	7,243	8,188
Tax payable		2,394	-
		<u>266,106</u>	<u>181,329</u>
Total liabilities		<u>266,737</u>	<u>181,869</u>
Total equity and liabilities		<u>996,043</u>	<u>892,670</u>

The consolidated financial statement on pages 50 to 90 were approved by the Board of Directors on 28 March 2017 and were signed on its behalf.

WONG, Ching Yi, Angela
Director

WONG, Hon Shing, Daniel
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000 (note 21)	Total equity HK\$'000
At 1 January 2016	137,050	549,433	24,318	710,801
Total comprehensive income				
Profit for the year	-	-	18,100	18,100
Transaction with owners				
Employee share options scheme				
- value of employee services	-	-	405	405
At 31 December 2016	137,050	549,433	42,823	729,306
At 1 January 2015	137,000	549,168	20,826	706,994
Total comprehensive income				
Profit for the year	-	-	2,371	2,371
Transaction with owners				
Employee share options scheme				
- value of employee services	-	-	1,216	1,216
- issue of shares upon exercise of share options	50	265	(95)	220
At 31 December 2015	137,050	549,433	24,318	710,801

	Note	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	24	(13,909)	46,797
Hong Kong profits tax paid		(3,043)	(7,020)
Interest paid		(150)	(164)
Net cash (used in)/from operating activities		(17,102)	39,613
Cash flows from investing activities			
Purchase of property and equipment		(1,712)	(5,779)
Bank interest received		2,129	1,953
Net cash from/(used in) investing activities		417	(3,826)
Cash flows from financing activities			
Repayment of bank loan		(945)	(930)
Proceeds from issuance of ordinary shares		-	220
Net cash used in financing activities		(945)	(710)
Net (decrease)/increase in cash and cash equivalents		(17,630)	35,077
Cash and cash equivalents at 1 January		675,291	640,214
Cash and cash equivalents at 31 December	19	657,661	675,291

1 GENERAL INFORMATION

Midland IC&I Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its 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 the provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong.

As at 31 December 2015, the ultimate holding company was Midland Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong. In December 2016, Midland Holdings Limited paid dividend in specie by distributing 5 shares of the Company for every 1 share held by its own shareholders. After the distribution, Midland Holdings Limited ceased to be the ultimate holding company but maintains significant influence over the Group.

The consolidated financial statements have been approved by the board of directors (the “Board”) on 28 March 2017.

2 BASIS OF PREPARATION

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

The preparation of consolidated 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.

(a) New standard and amendments effective in 2016

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012–2014 Cycle

The adoption of the above new standard and 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)

(b) Standards and amendments which are not yet effective

The following new standards and amendments to standards have been issued but are not effective for 2016 and have not been early adopted by the Group.

Effective for the year ending 31 December 2017

Amendment to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendment to HKAS 7	Disclosure Initiative

Effective for the year ending 31 December 2018

HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Effective for the year ending 31 December 2019

HKFRS 16	Leases
----------	--------

The expected impacts from the adoption of the above standards and amendments are still being assessed by the management, and management is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Subsidiaries

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

(i) Consolidation

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (Continued)

(i) Consolidation (Continued)

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

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the statement of comprehensive income. 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 profit or loss.

(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.

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

(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 profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(ii) *Transactions and balances (Continued)*

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

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

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the period of lease
Furniture and fixtures	4 years
Office equipment	4 years

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment properties

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

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

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

If an investment property becomes owner-occupied, it is reclassified as property 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 statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(g) Financial assets

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

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.

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 carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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 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 the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(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 debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income within other operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the consolidated statement of comprehensive income.

(k) Cash and cash equivalents

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(n) Borrowings

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

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

(o) Borrowings costs

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

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

All other borrowing costs are recognised in profit or loss 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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Taxation (Continued)

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

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

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

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

(q) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Retirement scheme obligations*

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

(iii) *Share-based payment*

- *Equity-settled share-based payment transactions*

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

- including any market performance conditions (for example, an entity's share price);

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits (Continued)

(iii) Share-based payment (Continued)

- Equity-settled share-based payment transactions (Continued)

- 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 profit or loss account, 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).

- 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 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.

Interest 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 statement of comprehensive income on a straight-line basis over the period of the lease.

(u) Dividend distribution

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

(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, cash flow and fair value interest rate risk and liquidity risk. The overall risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Credit risk

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

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

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

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

(ii) Cash flow and fair value interest rate risk

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

At the balance sheet date, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Group's profit before taxation and equity would have been approximately HK\$825,000 (2015: HK\$1,445,000) higher/lower for the year ended 31 December 2016.

(iii) Liquidity risk

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

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

	On demand HK\$'000	Less than 1 year HK\$'000
At 31 December 2016		
Trade and other payables	-	256,469
Bank loan	7,871	-
	<hr/> 7,871	<hr/> 256,469
At 31 December 2015		
Trade and other payables	-	173,141
Bank loan	8,832	-
	<hr/> 8,832	<hr/> 173,141

4 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

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

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

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

The total debt to equity ratios at 31 December 2016 and 2015 were as follows:

	2016 HK\$'000	2015 HK\$'000
Bank loan	7,243	8,188
Total equity	729,306	710,801
Total debt to equity ratio	1.0%	1.2%

(c) Fair value estimation

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

The fair value estimation of investment properties is disclosed in note 16.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Revenue recognition

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Impairment of trade receivables

Management reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment is made for the irrecoverable amounts. Management assesses the recoverable amount of each individual trade receivable whether there is objective evidence that the trade receivable is 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 for impairment at each balance sheet date.

(c) Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions used in the valuation have been disclosed in note 16 to the consolidated financial statements.

(d) Income taxes

Deferred taxation 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.

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

	2016 HK\$'000	2015 HK\$'000
Agency fee	517,874	467,190
Rental income	2,394	2,953
Total revenues	520,268	470,143

(b) Segment information

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

The Executive Directors assess the performance based on the nature of the Group's business principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops.

6 REVENUES AND SEGMENT INFORMATION (Continued)
 (b) Segment information (Continued)

	Year ended 31 December 2016			
	Property agency			
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Total HK\$'000
Total revenues	219,446	115,404	202,174	537,024
Inter-segment revenues	(8,282)	(7,162)	(3,706)	(19,150)
Revenues from external customers	211,164	108,242	198,468	517,874
Segment results	36,604	3,606	4,246	44,456
Impairment of receivables	6,105	5,278	10,003	21,386
Depreciation expenses	788	1,196	1,976	3,960
Additions to non-current assets	10	506	1,126	1,642

	Year ended 31 December 2015			
	Property agency			
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Total HK\$'000
Total revenues	195,290	104,250	189,696	489,236
Inter-segment revenues	(11,415)	(5,666)	(4,965)	(22,046)
Revenues from external customers	183,875	98,584	184,731	467,190
Segment results	33,603	4,798	(8,048)	30,353
(Reversal of impairment)/ impairment of receivables	(2,029)	(983)	29,024	26,012
Depreciation expenses	1,364	1,109	1,770	4,243
Additions to non-current assets	439	1,762	3,552	5,753

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Service fee income from fellow subsidiaries, corporate expenses, fair value gain on investment properties, finance income, finance costs and taxation are not included in the segment results.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

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

	2016 HK\$'000	2015 HK\$'000
Revenues from external customers for reportable segments	517,874	467,190
Rental income	2,394	2,953
Total revenues per consolidated statement of comprehensive income	520,268	470,143

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

	2016 HK\$'000	2015 HK\$'000
Segment results for reportable segments	44,456	30,353
Service fee income from fellow subsidiaries (note 28(a))	405	711
Corporate expenses	(27,694)	(27,431)
Fair value gain on investment properties	4,200	650
Finance income	2,129	1,953
Finance costs	(150)	(164)
Profit before taxation per consolidated statement of comprehensive income	23,346	6,072

Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. The following is total segment assets and liabilities by reportable segment:

As at 31 December 2016

	Property agency			Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	
Segment assets	96,155	68,047	101,668	265,870
Segment liabilities	81,472	70,366	88,707	240,545

6 REVENUES AND SEGMENT INFORMATION (Continued)
 (b) Segment information (Continued)

As at 31 December 2015	Property agency			Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	
Segment assets	53,688	32,029	68,001	153,718
Segment liabilities	69,348	30,225	57,107	156,680

Reportable segment assets are reconciled to total assets as follows:

	2016 HK\$'000	2015 HK\$'000
Segment assets	265,870	153,718
Corporate assets	727,893	737,018
Deferred taxation assets	2,280	1,934
Total assets per consolidated balance sheet	996,043	892,670

Reportable segment liabilities are reconciled to total liabilities as follows:

	2016 HK\$'000	2015 HK\$'000
Segment liabilities	240,545	156,680
Corporate liabilities	25,561	24,649
Deferred taxation liabilities	631	540
Total liabilities per consolidated balance sheet	266,737	181,869

7 OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Fair value gain on investment properties (note 16)	4,200	650
Service fee income from fellow subsidiaries (note 28(a))	405	711
Others	380	998
Total	4,985	2,359

8 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2016 HK\$'000	2015 HK\$'000
Salaries and allowances	97,967	106,368
Commissions	142,396	135,663
Pension costs for defined contribution plans	6,570	7,757
Share-based benefits	405	1,216
	247,338	251,004

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 the employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

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

9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Benefit and interest of directors

The remuneration of each director for the year ended 31 December 2016 is set out below:

Name of director	Fees HK\$'000	Salaries and allowances HK\$'000	Performance incentive HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Ms. WONG Ching Yi, Angela	30	-	-	2	32
Mr. WONG Hon Shing, Daniel	-	1,105	316	18	1,439
	30	1,105	316	20	1,471
<i>Non-executive Directors</i>					
Mr. KAN Chung Nin, Tony (appointed with effect from 18 October 2016)	65	-	-	-	65
Ms. TANG Mei Lai, Metty	120	-	-	-	120
Mr. TSANG Link Carl, Brian	120	-	-	-	120
Mr. CHU Kuo Fai, Gordon (alternate director to Mr. TSANG Link Carl, Brian)	-	-	-	-	-
	305	-	-	-	305
<i>Independent Non-executive Directors</i>					
Mr. YING Wing Cheung, William	120	-	-	-	120
Mr. SHA Pau, Eric	120	-	-	-	120
Mr. HO Kwan Tat, Ted	120	-	-	-	120
	360	-	-	-	360
	695	1,105	316	20	2,136

9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Benefit and interest of directors (Continued)

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

Name of director	Fees HK\$'000	Salaries and allowances HK\$'000	Performance incentive HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Ms. WONG Ching Yi, Angela	30	-	-	-	30
Mr. WONG Hon Shing, Daniel	-	1,110	998	18	2,126
	30	1,110	998	18	2,156
<i>Non-executive Directors</i>					
Ms. TANG Mei Lai, Metty	120	-	-	-	120
Mr. TSANG Link Carl, Brian	120	-	-	-	120
Mr. CHU Kuo Fai, Gordon (alternate director to Mr. TSANG Link Carl, Brian)	-	-	-	-	-
	240	-	-	-	240
<i>Independent Non-executive Directors</i>					
Mr. YING Wing Cheung, William	120	-	-	-	120
Mr. SHA Pau, Eric	120	-	-	-	120
Mr. HO Kwan Tat, Ted	120	-	-	-	120
	360	-	-	-	360
	630	1,110	998	18	2,756

In addition to the directors' emoluments disclosed above, the estimated value of share options granted to Mr. WONG Hon Shing, Daniel amounted to HK\$47,000 (2015: HK\$140,000). Including the estimated value of share options granted, total remuneration of Mr. WONG Hon Shing, Daniel for the year ended 31 December 2016 amounted to HK\$1,486,000 (2015: HK\$2,266,000). The director's fee in the sum of HK\$120,000 (2015: HK\$120,000) received by Ms. TANG Mei Lai, Metty was paid back to Midland Holdings Limited.

(i) *Directors' retirement benefits and termination benefits*

None of the directors received any retirement benefits or termination benefits during the year (2015: nil)

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

During the year ended 31 December 2016, the Group did not pay consideration to any third parties for making available directors' services (2015: nil).

9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Benefit and interest of directors (Continued)

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

As at 31 December 2016, there were no loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by such directors and entities connected with such directors (2015: nil).

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

Saved as disclosed in note 28(a), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include one (2015: one) director whose emoluments are reflected in the analysis shown in note 9(a). The emoluments payable to the remaining four (2015: four) individuals during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and allowances	2,344	2,165
Discretionary bonuses	180	110
Retirement benefit costs	69	71
	2,593	2,346

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
HK\$0 – HK\$1,000,000	4	4

10 OPERATING PROFIT

Operating profit is arrived at after charging:

	2016 HK\$'000	2015 HK\$'000
Direct operating expenses arising from investment properties that generated rental income	32	18
Auditor's remuneration		
– Audit services	806	806
– Non-audit services	343	343

11 FINANCE INCOME AND COSTS

	2016 HK\$'000	2015 HK\$'000
Finance income		
Bank interest income	2,129	1,953
Finance costs		
Interest on borrowings	(150)	(164)
Finance income, net	1,979	1,789

12 TAXATION

	2016 HK\$'000	2015 HK\$'000
Current		
Hong Kong profits tax	5,501	1,801
Deferred (note 17)	(255)	1,900
	5,246	3,701

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

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

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	23,346	6,072
Calculated at a taxation rate of 16.5% (2015: 16.5%)	3,852	1,002
Income not subject to taxation	(1,045)	(429)
Expenses not deductible for taxation purposes	242	229
Utilisation of unrecognised tax losses	(1,075)	(92)
Tax losses not recognised	1,340	2,856
Other temporary differences not recognised	1,532	238
Others	400	(103)
Taxation charge	5,246	3,701

13 DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: nil).

14 EARNINGS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Profit attributable to equity holders	18,100	2,371
Number of shares for calculation of basic earnings per share (thousands)	13,705,000	13,702,356
Effect on conversion of share options (thousands)	–	9,784
Number of shares for calculation of diluted earnings per share (thousands)	13,705,000	13,712,140
Basic earnings per share (HK cents)	0.132	0.017
Diluted earnings per share (HK cents)	0.132	0.017

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

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Diluted earnings per share for the year ended 31 December 2016 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect. For the year ended 31 December 2015, adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

15 PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 January 2016				
Cost	14,026	2,403	20,007	36,436
Accumulated depreciation	(11,321)	(1,928)	(16,018)	(29,267)
Net book amount	2,705	475	3,989	7,169
Year ended 31 December 2016				
Opening net book amount	2,705	475	3,989	7,169
Additions	1,233	99	380	1,712
Depreciation expenses	(1,584)	(291)	(2,213)	(4,088)
Closing net book amount	2,354	283	2,156	4,793
At 31 December 2016				
Cost	9,612	2,502	20,387	32,501
Accumulated depreciation	(7,258)	(2,219)	(18,231)	(27,708)
Net book amount	2,354	283	2,156	4,793
At 1 January 2015				
Cost	12,333	2,328	18,946	33,607
Accumulated depreciation	(11,514)	(1,739)	(14,519)	(27,772)
Net book amount	819	589	4,427	5,835
Year ended 31 December 2015				
Opening net book amount	819	589	4,427	5,835
Additions	3,511	204	2,064	5,779
Depreciation expenses	(1,625)	(318)	(2,502)	(4,445)
Closing net book amount	2,705	475	3,989	7,169
At 31 December 2015				
Cost	14,026	2,403	20,007	36,436
Accumulated depreciation	(11,321)	(1,928)	(16,018)	(29,267)
Net book amount	2,705	475	3,989	7,169

16 INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
Opening net book amount	60,200	59,550
Change in fair value to the consolidated statement of comprehensive income (note 7)	4,200	650
Closing net book amount	64,400	60,200

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

As at 31 December 2016, valuations were undertaken by Knight Frank Petty Limited, an independent qualified professional valuer with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations.

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

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

Valuation method	Range of significant unobservable inputs	
	Prevailing market rent per month	Capitalisation rate
Income capitalisation	HK\$25 per square foot (saleable) (2015: HK\$26 per square foot (saleable))	3.6% (2015: 4.0%)

Prevailing market rents are estimated based on qualified valuer's 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.

There were no changes to valuation techniques during the year.

Investment properties are pledged as security for the Group's bank loan (note 23).

17 DEFERRED TAXATION

	2016 HK\$'000	2015 HK\$'000
Deferred taxation assets	2,280	1,934
Deferred taxation liabilities	(631)	(540)
	1,649	1,394

The net movements on the deferred taxation are as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 January	1,394	3,294
Recognised in the consolidated statement of comprehensive income (note 12)	255	(1,900)
At 31 December	1,649	1,394

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

	Tax losses		Decelerated tax depreciation		Provision		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
At 1 January	935	-	319	652	767	3,108	2,021	3,760
Recognised in the consolidated statement of comprehensive income	(272)	935	(75)	(333)	738	(2,341)	391	(1,739)
At 31 December	663	935	244	319	1,505	767	2,412	2,021

Deferred taxation liabilities

	Accelerated tax depreciation	
	2016 HK\$'000	2015 HK\$'000
At 1 January	(627)	(466)
Recognised in the consolidated statement of comprehensive income	(136)	(161)
At 31 December	(763)	(627)

17 DEFERRED TAXATION (Continued)

Deferred taxation assets are recognised for tax losses carried 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\$5,972,000 (2015: HK\$5,739,000) in respect of losses amounting to HK\$36,197,000 (2015: HK\$34,782,000) as at 31 December 2016. These tax losses can be carried forward against future taxable income indefinitely.

In addition, the Group did not recognise deferred taxation assets of HK\$285,000 (2015: HK\$135,000) and HK\$1,866,000 (2015: HK\$403,000) in respect of decelerated tax depreciation and provision respectively.

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

	2016 HK\$'000	2015 HK\$'000
Deferred taxation assets		
– Recoverable after more than twelve months	2,280	1,934
Deferred taxation liabilities		
– Payable or settle after more than twelve months	(631)	(540)

18 TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	284,218	156,980
Less: provision for impairment	(38,754)	(31,481)
Trade receivables, net	245,464	125,499
Other receivables, prepayments and deposits	19,633	20,701
	265,097	146,200

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 the completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	2016 HK\$'000	2015 HK\$'000
Not yet due	228,122	114,038
Less than 30 days	8,824	4,379
31 to 60 days	2,455	1,451
61 to 90 days	4,637	3,936
91 to 180 days	726	928
Over 180 days	700	767
	245,464	125,499

18 TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables of HK\$17,342,000 (2015: HK\$11,461,000) are past due but not impaired. Such receivables are past due less than six months or subsequently received after the year end.

As at 31 December 2016, a provision for impairment for trade receivables of HK\$38,754,000 (2015: HK\$31,481,000) was made after taking into account the ageing of the trade receivables, the default history of customers or other specific reasons.

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

	2016 HK\$'000	2015 HK\$'000
At 1 January	31,481	44,560
Provision for impairment	21,386	26,012
Write-off of uncollectible debts	(14,113)	(39,091)
At 31 December	38,754	31,481

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 denominated in Hong Kong dollars.

19 CASH AND BANK BALANCES

	2016 HK\$'000	2015 HK\$'000
Cash at banks and on hand	321,042	89,364
Short term bank deposits	336,619	585,927
	657,661	675,291

20 SHARE CAPITAL AND PREMIUM**(a) Share capital and premium**

	Number of issued shares (HK\$0.01 each)	Nominal value HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2015	13,700,000,000	137,000	549,168	686,168
Issue of shares upon exercise of share options	5,000,000	50	265	315
At 31 December 2015, 1 January 2016 and 31 December 2016	13,705,000,000	137,050	549,433	686,483

20 SHARE CAPITAL AND PREMIUM (Continued)

(a) Share capital and premium (Continued)

The total authorised number of ordinary shares is 50 billion shares (2015: 50 billion shares) with a nominal value of HK\$0.01 per share (2015: HK\$0.01 per share). All issued shares are fully paid.

In June 2015, share options were exercised to subscribe for 5,000,000 ordinary shares in the Company. In July 2015, the abovesaid shares were issued and allotted at aggregate consideration of approximately HK\$220,000 of which HK\$50,000 was credited to share capital and the balance of HK\$170,000 was credited to the share premium account. HK\$95,000 has been transferred from employee benefits reserve to the share premium account.

(b) Share options

At the Company's extraordinary general meeting held on 19 September 2008, a share option scheme (the "Share Option Scheme") was adopted by the Company and approved by its shareholders. Under the Share Option Scheme, the Board may grant options to any employee, senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of the Company, any of its affiliates or any entity in which any member of the Group holds an equity interest (the "Invested Entity"), or any of their respective associates or chief executives or substantial shareholder who, as determined by the Board, has contributed or will contribute to the growth and development of the Group or any Invested Entity, to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of issued share capital of the Company at the date of adoption. 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 but shall not be less than the highest of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company. The Share Option Scheme became effective on 19 September 2008 and will remain in force for a period of ten years from the date of adoption.

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

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

Exercisable period	Exercise price per option HK\$	Number of options	
		2016	2015
1 October 2011 to 30 September 2016	0.053	–	20,000,000
15 December 2014 to 14 December 2019	0.044	38,330,000	38,330,000
15 December 2015 to 14 December 2019	0.044	43,330,000	43,330,000
15 December 2016 to 14 December 2019	0.044	43,340,000	43,340,000
		125,000,000	145,000,000

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

20 SHARE CAPITAL AND PREMIUM (Continued)

(b) Share options (Continued)

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

	2016		2015	
	Weighted average exercise price per option HK\$	Number of options	Weighted average exercise price per option HK\$	Number of options
At beginning of the year	0.045	145,000,000	0.045	150,000,000
Lapsed	0.053	(20,000,000)	-	-
Exercised	-	-	0.044	(5,000,000)
At end of the year	0.044	125,000,000	0.045	145,000,000

All outstanding options were exercisable as at 31 December 2016 (2015: 101,660,000).

The options outstanding as at 31 December 2016 had a weighted average remaining contractual life of 2.95 years (2015: 3.23 years).

The Group recognised a total expense of HK\$405,000 for the year ended 31 December 2016 (2015: HK\$1,216,000) in relation to share options granted under the Share Option Scheme.

21 RESERVES

	Merger reserve HK\$'000 (note (a))	Capital reserve HK\$'000 (note (b))	Employee benefits reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2016	(559,073)	14,918	2,562	565,911	24,318
Profit for the year	-	-	-	18,100	18,100
Employee share options scheme					
- value of employee services	-	-	405	-	405
- lapse of share options	-	-	(562)	562	-
At 31 December 2016	(559,073)	14,918	2,405	584,573	42,823
At 1 January 2015	(559,073)	14,918	1,441	563,540	20,826
Profit for the year	-	-	-	2,371	2,371
Employee share options scheme					
- value of employee services	-	-	1,216	-	1,216
- issue of shares upon exercise of share options	-	-	(95)	-	(95)
At 31 December 2015	(559,073)	14,918	2,562	565,911	24,318

21 RESERVES (Continued)

Notes:

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

22 TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Commissions and rebates payable	224,170	141,398
Other payable and accruals	32,299	31,743
	256,469	173,141

Trade payables include mainly the commissions and rebates payable to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebates payable of HK\$18,117,000 (2015: HK\$27,547,000) which are due for payment within 30 days after year end, and all the remaining commissions and rebates payable are not yet due.

23 BANK LOAN

The Group's bank loan is repayable as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 year	951	946
After 1 year but within 2 years	973	964
After 2 years but within 5 years	3,062	3,004
Over 5 years	2,257	3,274
	7,243	8,188

The bank loan contains a repayment on demand clause and is classified as current liabilities. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Group's bank loan is denominated in Hong Kong dollars.

The bank loan is secured by investment properties held by the Group (note 16) and corporate guarantee given by the Company.

23 BANK LOAN (Continued)

The effective interest rate of bank loan is 2.35% (2015: 1.87%). The carrying amount and fair value of the bank loan are as follows:

	Carrying amount		Fair value	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Bank loan	7,243	8,188	7,243	8,188

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 2.35% (2015: 1.87%).

The Group has the following undrawn borrowing facilities:

	2016 HK\$'000	2015 HK\$'000
Floating rates Expiring within one year	15,000	15,000

24 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016 HK\$'000	2015 HK\$'000
Operating profit	21,367	4,283
Impairment of receivables	21,386	26,012
Depreciation expenses	4,088	4,445
Fair value gain on investment properties	(4,200)	(650)
Share-based benefits	405	1,216
Operating profit before working capital changes	43,046	35,306
Change in trade and other receivables	(140,283)	69,717
Change in trade and other payables	83,328	(58,226)
Net cash (used in)/generated from operations	(13,909)	46,797

25 CONTINGENT LIABILITIES

As at 31 December 2016, the Company executed corporate guarantees amounting to HK\$29,780,000 (2015: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2016, HK\$7,243,000 of the banking facilities were utilised by a subsidiary (2015: HK\$8,188,000).

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 consolidated financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

26 FUTURE LEASE RENTAL RECEIVABLE

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

	2016 HK\$'000	2015 HK\$'000
Within one year	2,396	500
Between one year and five years	514	8
	2,910	508

27 COMMITMENTS

(a) Capital commitments

The Group did not have any significant capital commitments as at 31 December 2016 and 2015.

(b) Operating lease commitments

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

	2016 HK\$'000	2015 HK\$'000
Within one year	24,426	35,668
After one year but within five years	10,593	15,486
	35,019	51,154

28 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Note	2016 HK\$'000	2015 HK\$'000
Agency fee income from:			
– fellow subsidiaries	(i)	26,106	26,416
– other related parties	(vi)	90	–
Rental income in respect of office premise from:			
– fellow subsidiaries	(ii)	2,288	2,154
– other related parties	(vi)	58	–
Service fee income from fellow subsidiaries	(iii)	405	711
Rebate incentives to:			
– fellow subsidiaries	(iv)	(100,473)	(74,628)
– other related parties	(vi)	(1,486)	–
Operating lease charges to related companies	(v)	(3,298)	(3,184)

Notes:

- (i) Agency fee income from fellow subsidiaries represents agency fee for property agency transactions referred to fellow subsidiaries on terms mutually agreed by both parties.
- (ii) The Group entered into lease agreements with fellow subsidiaries on terms mutually agreed by both parties.
- (iii) Service fee income from fellow subsidiaries represents service fee for assistance provided by the Group in procuring the issuance of cashier's orders to prospective purchasers of primary residential property referred by the fellow subsidiaries which is charged on terms mutually agreed by both parties.
- (iv) Rebate incentives to fellow subsidiaries represents commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.
- (v) The Group entered into certain operating lease agreements with certain related companies, of which the beneficial owner, Mr. WONG Kin Yip, Freddie ("Mr. Wong"), is a father of Ms. WONG Ching Yi, Angela, a director of the Company and the spouse of Ms. TANG Mei Lai, Metty, a director of the Company, on terms mutually agreed by both parties. Mr. Wong is also the director of Midland Holdings Limited.
- (vi) After the distribution of the Company's shares by Midland Holdings Limited in December 2016 (note 1), the fellow subsidiaries in notes (i)-(iv) were regarded as "other related parties", being the subsidiaries of a substantial shareholder who has significant influence over the Group.

In addition to the above, the Group shared administrative and corporate services on a cost basis with an aggregate amount of HK\$13,122,000 (2015: HK\$11,937,000) with its fellow subsidiaries and HK\$602,000 (2015: nil) with other related parties (note (vi)) during the year.

28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Amounts due from fellow subsidiaries	–	18,107
Amounts due to fellow subsidiaries	–	(39,201)
Amounts due from other related parties (note)	23,596	–
Amounts due to other related parties (note)	(77,181)	–

Note: During the year, the Group became associates of Midland Holdings Limited and these balances are reclassified from amounts due from/(to) fellow subsidiaries to amounts due from/(to) other related parties.

(c) Key management compensation

	2016 HK\$'000	2015 HK\$'000
Fees, salaries, allowances and incentives	1,451	2,138
Retirement benefit costs	20	18
Share-based benefits	47	140
	1,518	2,296

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

29 EVENT AFTER BALANCE SHEET DATE

On 10 January 2017, Beyond Summit Investments Limited, a wholly-owned subsidiary of the Company, as purchaser and Mr. WONG Kin Yip, Freddie, being the chairman and non-executive director of Midland Holdings Limited as well as the spouse of Ms. TANG Mei Lai, Metty and the father of Ms. WONG Ching Yi, Angela, as seller entered into an acquisition agreement, pursuant to which the purchaser has conditionally agreed to acquire and the seller has conditionally agreed to sell the entire shares of Most Wealth (Hong Kong) Limited, a company wholly owned by Mr. WONG Kin Yip, Freddie, at a consideration of HK\$400,000,000. The consideration was settled by a combination of (i) the allotment and issue of the Company's shares in the amount of HK\$200,000,000; and (ii) the issue of the convertible notes in the principal amount of HK\$200,000,000. The principal asset of Most Wealth (Hong Kong) Limited is the entire interest in a property located at Nos. 33 and 35 Java Road, Hong Kong. The acquisition constitutes major transaction and connected transaction of the Company. The transaction was approved by the independent shareholders at the extraordinary general meeting held on 6 March 2017.

Completion of the acquisition took place on 22 March 2017, and the consideration was settled by the allotment and issue of 4,347,826,086 shares of the Company in the amount of HK\$200,000,000 and the issue of convertible note in the principal amount of HK\$200,000,000. Details of the acquisition were set out in the announcement and circular of the Company dated 10 January 2017 and 17 February 2017 respectively.

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		640,000	640,000
Deferred taxation assets		91	315
		640,091	640,315
Current assets			
Amounts due from subsidiaries		569,716	570,131
Other receivables, prepayments and deposits		2,558	1,214
Bank balances		1,160	243
		573,434	571,588
Total assets		1,213,525	1,211,903
EQUITY AND LIABILITIES			
Equity holders			
Share capital		137,050	137,050
Share premium		549,433	549,433
Reserves	(a)	524,283	523,149
Total equity		1,210,766	1,209,632
Current liabilities			
Other payables and accruals		2,759	2,271
Total liabilities		2,759	2,271
Total equity and liabilities		1,213,525	1,211,903

The balance sheet of the Company was approved by the Board of Directors on 28 March 2017 and was signed on its behalf.

WONG, Ching Yi, Angela
Director

WONG, Hon Shing, Daniel
Director

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Contributed surplus HK\$'000	Employee benefits reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2016	2,509	2,562	518,078	523,149
Profit for the year	-	-	729	729
Employee share options scheme				
- value of employee services	-	405	-	405
- lapse of share options	-	(562)	562	-
At 31 December 2016	2,509	2,405	519,369	524,283
At 1 January 2015	2,509	1,441	518,606	522,556
Loss for the year	-	-	(528)	(528)
Employee share options scheme				
- value of employee services	-	1,216	-	1,216
- issue of shares upon exercise of share options	-	(95)	-	(95)
At 31 December 2015	2,509	2,562	518,078	523,149

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to the group reorganisation on 28 February 2001.

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held (%)	
				2016	2015
Ketanfall Group Limited (Note)	British Virgin Islands	14 shares of US\$1 each	Investment holding in Hong Kong	100	100
Midland IC&I Surveyors Limited	Hong Kong	1 share	Provision of surveying services in Hong Kong	100	100
Midland IC&I Treasury Services Limited	Hong Kong	1 share	Provision of treasury services to group companies in Hong Kong	100	100
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares	Property agency in Hong Kong	100	100
Midland Realty (Comm. & Ind. II) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100
Midland Realty (Comm. & Ind. III) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares	Property agency in Hong Kong	100	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares	Property agency in Hong Kong	100	100
Midland Realty (Shops II) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100
Hong Kong Property (I&O) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100
Hong Kong Property (Comm.) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares	Property agency in Hong Kong	100	100
Teamway Group Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100	100
Gainwell Group Limited (Note)	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100	100
Leader Concord Limited	Hong Kong	2 shares	Provision of management services in Hong Kong	100	100

Note: The subsidiaries are directly held by the Company.

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

	Year ended 31 December				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
For the year					
Revenue	520,268	470,143	547,678	562,505	814,368
Profit before taxation	23,346	6,072	45,476	32,659	206,866
Profit attributable to equity holders of the Company	18,100	2,371	39,661	24,904	175,822
Cashflows					
Net cash (outflow)/inflow from operating activities	(17,102)	39,613	67,120	94,148	87,500
At year end					
Total assets	996,043	892,670	951,809	831,296	1,018,289
Total liabilities	266,737	181,869	244,815	164,842	376,767
Total equity	729,306	710,801	706,994	666,454	641,522
Cash and bank balances	657,661	675,291	640,214	572,220	488,051
Per share data					
Earnings per share-basic (HK cents)	0.132	0.017	0.289	0.182	1.283

香港德輔道中19號環球大廈25樓2505-8室
Rooms 2505-8, 25th Floor, World-Wide House,
19 Des Voeux Road Central, Hong Kong
www.midlandici.com.hk