



(459)香港聯交所上市公司

Midland IC&I Limited

美聯工商舖有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(股份代號 Stock code : 459)



緊貼時勢 迎新機遇

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BOARD OF DIRECTORS**Non-Executive Directors**

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

Executive Directors

Ms. TANG Mei Lai, Metty
 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 Ngai 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

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

Conyers 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
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WEBSITE

www.midlandici.com.hk

STOCK CODE

459



BUSINESS REVIEW

Midland IC&I Limited (the "Company") and its subsidiaries (collectively, the "Group") is pleased to announce that a consolidated net profit of approximately HK\$89.9 million was recorded for the year ended 31 December 2017, representing an increase of 397% from that of HK\$18.1 million for the year of 2016. During the reporting period, revenue of the Group amounted to HK\$637.2 million, reaching a 5-year high.

The significant improvements of the Group's results were mainly attributable to:

1. the year-on-year increase in market transaction activities of the Hong Kong non-residential market in the year of 2017; and
2. cost savings as a result of relocation of branches.

All cylinders firing

The non-residential market comprises four major segments, namely, office, industrial, shops and carparks. In 2017, all four segments registered strong growth in terms of both transaction volume and value. This was the first time for all four segments to grow synchronously since 2013, when the government increased the stamp duty rate for non-residential transactions.

Among these segments, the office sector was the best performer. Its outperformance was fueled by a series of positive market news. In last May, Henderson Land group paid a historical high price of HK\$23.3 billion for the commercial land in Central District sold by the government. Then, LVGEM (China) group in last October announced the HK\$9 billion purchase of an office building in Kwun Tong from The Wharf group. Another mega deal was the disposal of various floors of The Center by CK Asset group for a record breaking price of HK\$40.2 billion. In fact, the demand from mainlanders remained strong in 2017, and the spillover effect resulted from the red hot office sector was phenomenal, and sentiments of the other sectors were stimulated.



Industrial sector also performed well. One reason for the growth in the sales activities was the relative low price per square foot for the industrial premises. Due to the increase in prices of the other segment of non-residential properties in recent years, industrial premises have become good bargains to a lot of investors. Good economy also helped. End-users demand for the industrial premises picked up visibly during the reporting period.

Transaction volume of shops posted strong growth, after dropping for four consecutive years. Customers' confidence recovered as the economy showed modest growth. The rebound of renminbi provided another dose of stimulant. The 2.2% growth of the retail sales in last year helped stabilize rents, making retail properties attractive to some veteran investors again.

Proactive measures paid off

During the reporting period, the Group had some remarkable achievements in the high-end segment. Last year, the Group brokered a number of transactions valued at above HK\$100 million. For example, the en-bloc building in Kwun Tong transacted at over HK\$350 million and the en-bloc commercial building in Causeway Bay transacted at over HK\$1.6 billion were both closed by the sales elites of the Group.

As a member of the comprehensive sales platform, the Group also leveraged on the network of Midland Holdings Limited ("Midland Holdings"), the controlling shareholder of the Group. Teaming up with Midland Realty, the Group brokered some other remarkable deals such as a storey of Shun Tak Centre in Sheung Wan transacted at over HK\$750 million and en-bloc industrial building in Kwai Chung transacted at over HK\$420 million.

The growth of market activities was the major driver for the significant improvement of the financial performance of the Group. Also, the good results were attributable to the cost saving measures initiated by the Group in 2016 when the market was relatively quiet, such measures included (1) branch relocations; and (2) restructuring of the shop division of Hong Kong Property.



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- 1 The Company has been awarded the "Excellent Brand of Non-Residential Property Agent" of Metro Finance for 11 consecutive years and it was presented by George Leung Siu-kay, the adviser of HSBC Asia-Pacific.
- 2 The Company received the "Charter on External Lighting 2017" Award from the Environment Bureau.
- 3 Midland IC&I Charity Calendar Competition was a jointly-held fund raising activity and all the money raised will be donated to the Special School on the project, The Salvation Army Shek Wu School.
- 4 Midland IC&I dragon boat team joined in Sai Kung Dragon Boat Festival Race for the first time.
- 5 The Company gained the award "Work Happiness 2017" of HKPC.

OUTLOOK

Broad-based global growth

The world's major economies are expected to continue to grow in 2018, supported by the relatively low unemployment rate and strong consumer confidence. The US economy is likely to further gain strength after the tax reform. The Euro economy has stood on solid footing again. In additions, worries of a hard landing in mainland economy have subsided, and the market has restored its confidence on renminbi which has resumed upward trend. Despite the rosy outlook, the global economy will continue to face some potential threats such as rising international tensions and the threat of protectionism.

Benefiting from the potential of overall growth in the global economy, the local economy is expected to show reasonable growth in 2018. The non-residential market is expected to keep the momentum. For instance, the double digital growth of the mainland tourists visiting Hong Kong during the Chinese New Year breaks already boded well for the retail properties segment. Furthermore, the mainlander's demand for en-bloc buildings has not receded. It is likely that there will be numerous mega deals for office towers to take place in this year. Transaction volume of the industrial premises is expected to post modest growth as it is likely that more landlords will launch new units for sale in the market. While stock market turbulence will have potential to disrupt the uptrend, the property market's status as a safe haven will be reinforced if there is a stock market correction.

Focus on big tickets transactions

The increasing participation of the mainland enterprises has changed the landscape of the Hong Kong market. The Group expects that their demand will be further fueled by the "Belt and Road" and the Greater Bay Area initiatives. To capture these valuable opportunities, the Group will put more focus on big ticket transactions, and will build a closer tie with the mainland operations of Midland Holdings and take other initiatives with the aim to penetrate the mainland market.

Property Investments

In mid-March of 2018, the Group completed the acquisitions of several floors and carparks of an industrial building located in Kwai Chung, New Territories. These properties will be let out for rental income and will provide an additional and stable rental income to the Group.

Following the acquisition of the properties in Kwai Chung and the en-bloc building at Nos. 33 and 35 Java Road in 2017 which is currently used as serviced apartments and shops, the Group will continue to pursue the strategy of diversification and exploration of new investments and business opportunities.

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, 27 March 2018

NON-EXECUTIVE DIRECTORS

Mr. KAN Chung Nin, Tony, aged 67, *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 Naneson 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 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. Midland Holdings is 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 (the "Listing Rules")) of the Company.

Mr. TSANG Link Carl, Brian, aged 54, 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 (now known as Vestate 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. TANG Mei Lai, Metty, aged 62, has been the Executive Director of the Company since June 2017. She had served on the Board since her appointments as Executive Director and Managing Director in September 2008 and October 2008, respectively, until her re-designation to Non-Executive Director in December 2014. She continued her service in that position since then until her re-designation in June 2017. She had also been the Chairman of the Board from September 2008 to October 2016.

Ms. TANG was an Executive Director and the Deputy Chairman of Midland Holdings from December 2005 to June 2017 and from December 2005 to March 2011 respectively.

Ms. TANG is a director of 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 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.

Ms. WONG Ching Yi, Angela, aged 37, 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 the Groups 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 fellow 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 Ms. TANG Mei Lai, Metty, the Executive Director of the Company.

Mr. WONG Hon Shing, Daniel, aged 54, 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 28 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 67, 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 43 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 60, 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 32 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 53, 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 is the Independent Non-Executive Director of Midland Holdings since June 2017. He 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 Silk Road Logistics Holdings Limited) from May 2007 to April 2008.

ALTERNATE DIRECTOR

Mr. CHU Kuo Fai, Gordon, aged 52, 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 2017.

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 (collectively the “Directors”, each a “Director”) 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 three Executive Directors, two 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*)

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

Executive Directors

Ms. TANG Mei Lai, Metty

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 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 2017, 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, Board committees and general meetings are set out on page 17 of this Annual Report.

(v) Non-Executive Directors

Mr. KAN Chung Nin, Tony 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 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 2017 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 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 provided to the Directors reading materials and training webcasts covering topics on corporate governance, environmental, social and governance, roles and duties of directors and financial reporting. A summary of the record of training received by the Directors during the year is as follows:

	Training on corporate governance, environmental, social and governance, roles and duties of directors, financial reporting and/or other relevant topics
<i>Non-Executive Directors</i>	
Mr. KAN Chung Nin, Tony	✓
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. TANG Mei Lai, Metty <i>(Re-designated from Non-Executive Director to Executive Director with effect from 26 June 2017)</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 three members including Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel, all being the Executive Directors.

(ii) Audit Committee

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 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 are available on the websites of the Company and the Stock Exchange.

During the year, two 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 the report on risk management and monitor the implementation of the recommended actions as well as the effectiveness of the internal control and risk management systems, 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 2017, 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. 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 Directors to the Board for approval, reviewing the Group's overall remuneration and recommending the remuneration of a candidate who was proposed to be appointed as a consultant 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, two 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 2017 is set out below:

Remuneration bands	Number of person(s)
HK\$0 – HK\$1,000,000	2
HK\$1,000,001 – HK\$2,000,000	–
HK\$2,000,001 – HK\$3,000,000	–
HK\$3,000,001 – HK\$4,000,000	–
HK\$4,000,001 – HK\$5,000,000	–
HK\$5,000,001 – HK\$6,000,000	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 72 to 74 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. 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 on the re-election of the retiring Directors (including the Independent Non-Executive Directors who served on the Board for more than 9 years after determining their independence), making recommendation to the Board for approval on change of composition of the Board, reviewing the board diversity policy and making recommendation to the Board for approval on the renewal of terms of appointment of Directors and appointment of a consultant. During the year, two 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 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.

The Risk Committee held two meetings in 2017. During the year, the Risk Committee received report on the results of the review of the risk management system and framework, discussed the measures to manage those identified risks which may have significant impact to the Group, and review the effectiveness of the risk management system and framework.

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, 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 2017 are set out below:

Directors	Number of Meetings Attended/Held						Extraordinary	Extraordinary
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Annual General Meeting	General Meeting held on 6 March 2017	General Meeting held on 27 June 2017
<i>Non-Executive Directors</i>								
Mr. KAN Chung Nin, Tony	7/7	N/A	2/2	2/2	N/A	1/1	0/1	1/1
Mr. TSANG Link Carl, Brian	4/7	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>	2/7	N/A	N/A	N/A	N/A	1/1	1/1	1/1
<i>Executive Directors</i>								
Ms. TANG Mei Lai, Metty <i>(Note 1)</i>	6/7	N/A	N/A	N/A	N/A	1/1	1/1	1/1
Ms. WONG Ching Yi, Angela	6/7	N/A	N/A	N/A	N/A	1/1	1/1	1/1
Mr. WONG Hon Shing, Daniel	7/7	N/A	2/2	2/2	2/2	1/1	1/1	1/1
<i>Independent Non-Executive Directors</i>								
Mr. YING Wing Cheung, William	7/7	2/2	2/2	2/2	N/A	1/1	1/1	1/1
Mr. SHA Pau, Eric	7/7	2/2	2/2	2/2	N/A	1/1	1/1	1/1
Mr. HO Kwan Tat, Ted	7/7	2/2	2/2	2/2	N/A	1/1	1/1	1/1

Notes:

- Ms. TANG Mei Lai, Metty was re-designated from Non-Executive Director to Executive Director with effect from 26 June 2017.
- 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 2017.

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 page 34 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparation of consolidated financial statements which give a true and fair view of the Group's state of affairs as at 31 December 2017 and of the Group's results and cash flows for the year ended 31 December 2017. In preparing the consolidated financial statements for the year ended 31 December 2017, 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 2017 consolidated 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 2017 amounted to approximately HK\$906,000 (2016: HK\$806,000) and HK\$1,440,000 (2016: HK\$391,000) respectively. The non-audit services mainly include interim results review, taxation and professional services in relation to the acquisition as detailed in the section headed "ACQUISITION OF MOST WEALTH (HONG KONG) LIMITED" in this Annual Report.

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, and such systems are designed to manage rather than eliminate those risks, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The 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 system 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 2017 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 2017 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 Group's disclosure obligations in respect of inside information. 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 has been provided to the shareholders regularly which 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 Board committees, and other Board 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 2017 annual general meeting of the Company was held on 27 June 2017. 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 Chairman of the Board and other Board members as well as the representative of PricewaterhouseCoopers attended the 2017 annual general meeting and had effective communication with shareholders of the Company.

An extraordinary general meeting of the Company was held on 6 March 2017 to approve, inter alia, the Company entering into the Acquisition Agreement (as defined under the section headed "ACQUISITION OF MOST WEALTH (HONG KONG) LIMITED" in this Annual Report). Delegate of the Chairman of the Board and other Board members as well as the members of the independent board committee attended the meeting. An extraordinary general meeting was also held on 27 June 2017 to approve, inter alia, the share consolidation (the "Share Consolidation") of every ten (10) issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company into one (1) ordinary share of HK\$0.1 in the share capital of the Company. The Chairman of the Board and other Board members attended the meeting.

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.

(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 2017.

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:

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

Preferences will be given to those local suppliers who are able to meet our standards. In the procurement process, items to be purchased will be consolidated to minimize shipment frequency, which help to lower vehicle emissions.

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.

In 2017, the Group started to implement the quantification methodologies for carbon emission. The greenhouse gas emission from three offices of the Group was audited in accordance with the standard of ISO14064-1:2006. With the confirmation of the independent verification body, the direct and energy indirect greenhouse gas emission of three offices of the Group during the reporting period was 191.69 tonnes of CO₂e, which most of the emission was from consumption of purchased electricity. We will continuously monitor the greenhouse gas emission and implement the environmental measures.

Resources	Consumption
Greenhouse gas	
Direct emission	0 tonnes of CO ₂ e
Energy indirect emission	191.69 tonnes of CO ₂ e

During the reporting period, no hazardous waste and emissions were produced by the Group. The refuse generated from the daily operation was handled by qualified contractor.

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
- Painting the walls and ceilings with lighter colour to enhance reflectivity and lighting efficiency
- Automatic turn off of unused electrical appliances at the preset time
- Install timers to properly control the operating time of external lightings and electrical equipment in the branches

Reduction of Paper Consumption

- Maximize the use of electronic means to keep record
- Remind employees of double-sided printing

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
- Purchase Forest Stewardship Council (FSC) certified papers

Maximization of resources

- Recycle devices and equipment to reduce waste

No packaging materials were used in the general operations of the Group. During the reporting period, the electricity and water consumption of the Group are as follows:

Resources	Consumption
Electricity	1,695,128 kWh ^(Note 1)
Water	235 Liters ^(Note 2)

Notes:

1. Only including 23 branches located in Hong Kong
2. Only including 2 branches located in Hong Kong

The Group believes the implementation of the above measures has promoted our employees' awareness of saving energy and water.

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. During the reporting period, four branches of the Group received “Platinum Award”.

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. In addition, the Group 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 organises different activities to staff and also provides various welfares, including but not limited to:

- Medical plan;
- Trip allowance;
- Mobile phone allowance;
- Examination leave;
- Birthday leave;
- Compassionate leave;
- Marriage leave;
- Volunteer leave;
- Family care leave;
- Extra maternity leave;

SOCIETY (Continued)

Employment (Continued)

- Employee discount on sale, purchase or leasing of properties;
- Training sponsorship;
- Benefits for senior employees; and
- Motivational Campaign – sponsorship employee activities.

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
- Implement dress code for outdoor work for the period that the Very Hot Weather Warning is in force 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 ever 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, marathon, 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 standard.

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
Career Talk	The University of Hong Kong	Career Talk	Students	24 January 2017
Career Talk	The Chinese University of Hong Kong	Career Talk	Students	8 February 2017
Career Talk	Community College of City University	Career Talk	Students	21 February 2017
Career Talk	The Open University of Hong Kong	Career Talk	Students	23 March 2017
Career Talk	Hong Kong Baptist University	Career Talk	Students	28 March 2017
Career Talk	The Hong Kong Polytechnic University	Career Talk	Students	29 March 2017
Career Talk	The School of Professional Education and Executive Development, The Hong Kong Polytechnic University	Career Talk	Students	6 April 2017

SOCIETY (Continued)

Community Investment (Continued)

Activity name	Host organization	Content	Beneficiary	Date
"Calendar Illustration Contest 2018 co-organised by Midland IC&I and the Salvation Army"	Midland IC&I and the Salvation Army	Midland IC&I joined hand with The Salvation Army Shek Wu School to organise a calendar illustration contest. Mr. Wong Hon Shing, Daniel, our Chief Executive Officer, principal of The Salvation Army Shek Wu School and Mr. Choi Yee Ah, renowned silk painting artist, were the judges and selected 12 entries as the illustrations for the Company's 2018 calendar. Proceeds from the sales of the calendar, net of cost, would be donated to The Salvation Army Shek Wu School.	The Salvation Army Shek Wu School	24 June 2017
"Food Wise Mid-Autumn Festival: Food Donations for Street Sleepers"	Midland IC&I and the Salvation Army	Midland IC&I cooperated with the Salvation Army to organise a mooncake donation activity, in which mooncakes received were distributed to street sleepers in need in Sham Shui Po.	Street sleepers in Sham Shui Po	28 September 2017
Midland IC&I x The Salvation Army Shek Wu School "BBQ Fun Day"	Midland IC&I and the Salvation Army	Approximately 30 entries were selected from Calendar Illustration Contest 2018 organised by Midland IC&I and The Salvation Army Shek Wu School. As an incentive for the selected students with special needs, they and their relatives were invited to a "BBQ Fun Day", while the volunteer team of Midland IC&I also participated to show concern and have fun with them.	The Salvation Army Shek Wu School	30 September 2017

SOCIETY (Continued)

Community Investment (Continued)

Activity name	Host organization	Content	Beneficiary	Date
The Salvation Army's Charity Book Fair and Sale	Midland IC&I and the Salvation Army	In the book fair organised by the Salvation Army, calendars were sold for charitable cause as a means of fundraising for The Salvation Army Shek Wu School.	The Salvation Army Shek Wu School	14-15 November 2017
Career Talk	Hong Kong School of Commerce	Career Talk	Students	6 December 2017

AWARDS AND ACHIEVEMENTS

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

Award/Achievement	Issuing institution
WasteWi\$e certificate – Excellence level in Hong Kong Green Organisation Certification	Environmental Campaign Committee
Charter on External Lighting (Platinum Award)	Environment Bureau
Happiness of Work Promotional Scheme 2017	Promoting Happiness Index Foundation and Hong Kong Productivity Council
Excellent Business Agent Brand	Metro Finance
“Caring Company” Logo	The Hong Kong Council of Social Service
Partner Employer Award	The Hong Kong General Chamber of Small and Medium Business
Work-life Balance Week 2017	Community Business

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

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 33 to the consolidated financial statements.

Details of the analysis of the Group's performance for the year ended 31 December 2017 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 2017 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 2017 (2016: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: 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 2017 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 65 to 67 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 28 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 one of the principal activities of the Group is 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 2017. 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 32 to the consolidated financial statements respectively.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK\$353,000 (2016: HK\$195,000).

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 95 of this Annual Report.

SHARE CAPITAL

On 22 March 2017, 4,347,826,086 shares (before the effect of share consolidation) were allotted and issued and convertible note in the principal amount of HK\$200 million at conversion price of HK\$0.046 (before the effect of share consolidation) were issued pursuant to the Acquisition Agreement (as defined under the section headed "ACQUISITION OF MOST WEALTH (HONG KONG) LIMITED" in this report).

On 28 June 2017, every ten (10) issued and unissued ordinary shares of the Company of HK\$0.01 each were consolidated into one (1) ordinary share of HK\$0.10 each in the share capital of the Company.

Details of the movement 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 2017, 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\$1,264,389,000 (2016: HK\$1,071,311,000). 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 96 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 2017.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2017 and up to the date of this report are as follows:

Non-Executive Directors

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

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

Executive Directors

Ms. TANG Mei Lai, Metty (*Re-designated from Non-Executive Director to Executive Director with effect from 26 June 2017*)

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)

Ms. TANG Mei Lai, Metty, Mr. TSANG Link Carl, Brian and Mr. SHA Pau, Eric shall retire by rotation at the forthcoming annual general meeting of the Company (the "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.

ACQUISITION OF MOST WEALTH (HONG KONG) LIMITED

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 at the date of this Annual Report, Mr. WONG Kin Yip, Freddie is the chairman and 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 (the "Acquisition Agreement"), pursuant to which the purchaser has conditionally agreed to acquire and the seller has conditionally agreed to sell the entire issued shares of Most Wealth (Hong Kong) Limited ("Most Wealth"), 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 4,347,826,086 shares (before the effect of share consolidation) of the Company; and (ii) the issue of the convertible note in the principal amount of HK\$200,000,000. The principal asset of Most Wealth is the entire interest in a property located at Nos. 33 and 35 Java Road, Hong Kong. The acquisition constituted major and connected transactions of the Company under the Listing Rules and was approved by the independent shareholders of the Company at the extraordinary general meeting held on 6 March 2017. Completion took place on 22 March 2017. Details were set out in the Company's announcements dated 10 January 2017 and 22 March 2017 and the Company's circular dated 17 February 2017.

ACQUISITION OF CERTAIN PROPERTY INTERESTS OF LMK DEVELOPMENT ESTATE

On 28 November 2017, two provisional acquisition agreements had been entered into among the purchasers (being Fame Surge Limited and Profit Bright Developments Limited, both are wholly-owned subsidiaries of the Company), the sellers (being four individuals who are the shareholders of the target companies) and the agent (being Midland Realty (Comm. & Ind. II) Limited, a wholly-owned subsidiary of the Company). Pursuant to the provisional acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell the entire issued shares (and including the assignment of the sale debt) of Champion Shine International Limited and Dragon Magic Investments Limited at an aggregate consideration of HK\$75,200,000, subject to cash adjustment. The principal assets of Champion Shine International Limited and Dragon Magic Investments Limited are the property interests in 6th and 8th floors of LMK Development Estate, which is located at Nos. 10/16 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong.

ACQUISITION OF CERTAIN PROPERTY INTERESTS OF LMK DEVELOPMENT ESTATE (Continued)

On 28 November 2017, four property acquisition agreements had also been entered into among the purchasers (being Century Hover Limited, Glorious Success Global Limited, Shine Treasure Holdings Limited and Sino Hover Limited, all of which are wholly-owned subsidiaries of the Company), the sellers (being New Night Lighting Manufacturing Limited, Buttons International Limited, New Mind Holdings Limited and two individuals) and the agent (being Midland Realty (Comm. & Ind. II) Limited). Pursuant to the property acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell 5th, 7th and 12th floors and three car parking spaces of LMK Development Estate at an aggregate consideration of HK\$120,800,000.

The above acquisitions constituted major transaction of the Company under the Listing Rules and was approved by the shareholders of the Company at the extraordinary general meeting held on 13 February 2018. Completion took place on 16 March 2018. Details were set out in the Company's announcements dated 28 November 2017 and 16 March 2018 and the Company's circular dated 23 January 2018.

SHARE CONSOLIDATION

The share consolidation on the basis that every ten (10) issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share of HK\$0.1 each in the share capital of the Company was approved by the shareholders of the Company at the extraordinary general meeting held on 27 June 2017 and became effective on 28 June 2017. Adjustments have been made to the share options and convertible note. Please refer to the Company's announcements dated 18 May 2017 and 27 June 2017 and the Company's circular dated 9 June 2017 for details.

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 and the Acquisition Agreement, 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.

Pursuant to the Acquisition Agreement, zero coupon convertible note due 2021 in principal amount of HK\$200,000,000 at initial conversion price of HK\$0.046 (before the effect of share consolidation) per share were issued. The maximum number of shares to be issued upon conversion is 434,782,608 shares (after the effect of share consolidation) and none of them was issued up to 31 December 2017. Details of the convertible note are set out in the section headed "ACQUISITION OF MOST WEALTH (HONG KONG) LIMITED" in this report and in note 24 to the consolidated financial statements.

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

As at 31 December 2017, 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	527,697,680 <i>(Note 1)</i>	434,782,608 <i>(Note 2)</i>	962,480,288	53.31%
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	2,000,000	1,500,000 <i>(Note 3)</i>	3,500,000	0.19%
Mr. YING Wing Cheung, William	Personal interest/ Beneficial owner	300,000	–	300,000	0.02%

Notes:

- Part of these shares was held directly, and the rest of these shares was held indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as ultimate beneficial owner.
- Such interests in underlying shares (being unlisted physically settled derivatives) represent 434,782,608 shares to be issued to Wealth Builder Holdings Limited, a company indirectly wholly owned by Mr. WONG Kin Yip, Freddie, upon exercise of the conversion right attached to the convertible note due 2021 in principal amount of HK\$200 million at conversion price of HK\$0.46 per share issued by the Company pursuant to the Acquisition Agreement.
- 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. Details of his share options granted by the Company are set out in the section headed "SHARE OPTION SCHEME" in this report.

Save as disclosed above, as at 31 December 2017, 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, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2017, 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/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Midland Holdings	610,976,997 <i>(Note 1)</i>	Interest of controlled corporation/Corporate interest	33.84%
Valuewit Assets Limited ("Valuewit")	610,976,997 <i>(Note 1)</i>	Beneficial owner/Beneficial interest	33.84%
Luck Gain Holdings Limited ("Luck Gain")	869,565,216 <i>(Note 2)</i>	Interest of controlled corporation/Corporate interest	48.16%
Wealth Builder Holdings Limited ("Wealth Builder")	869,565,216 <i>(Note 2)</i>	Beneficial owner/Beneficial interest	48.16%
Mr. WONG Kin Yip, Freddie <i>(Note 5)</i>	12,245,000 <i>(Note 3)</i>	Beneficial owner/Beneficial interest	0.68%
	950,235,288 <i>(Note 4)</i>	Interest of controlled corporation/Corporate interest	52.63%

Notes:

- Midland Holdings was deemed to be interested in the 610,976,997 shares held by its indirectly wholly-owned subsidiary, Valuewit, under the SFO.
- Luck Gain, which is directly wholly-owned by Mr. WONG Kin Yip, Freddie, was deemed to be interested in the 434,782,608 shares and 434,782,608 underlying shares held by its directly wholly-owned subsidiary, Wealth Builder under the SFO. Such interests in underlying shares (being unlisted physically settled derivatives) represent 434,782,608 shares to be issued to Wealth Builder upon exercise of the conversion right attached to the convertible note due 2021 in principal amount of HK\$200 million at conversion price of HK\$0.46 per share issued by the Company pursuant to the Acquisition Agreement.
- Such long position includes interests in ordinary shares only.
- Mr. WONG Kin Yip, Freddie was deemed to be interested in the (i) 80,670,072 shares held by Sunluck Services Limited which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his directly wholly-owned company, namely Southern Field Trading Limited; and (ii) 434,782,608 shares and 434,782,608 underlying shares held by Wealth Builder as mentioned in note 2 above, under the SFO.
- The 527,697,680 shares and 434,782,608 underlying shares held by Mr. WONG Kin Yip, Freddie relate to the same block of shares and underlying 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 2017, 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 11,500,000 (after the effect of share consolidation), representing approximately 0.64% of the issued shares of the Company. The total number of shares available for issue in respect of options which may be granted is 71,000,000 (after the effect of share consolidation), representing approximately 3.93% 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 meeting with such eligible person and his or her associates abstaining from voting, other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

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	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 31 December 2017	Exercisable period
			Balance outstanding as at 1 January 2017	Granted during the year	Cancelled/lapsed during the year	Exercised during the year		
Director of the Company								
Mr. WONG Hon Shing, Daniel	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2016 to 14 December 2019
Other participants								
Directors of Midland Holdings								
Mr. WONG Tsz Wa, Pierre	10 December 2014	0.44	30,000,000	-	-	-	3,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	30,000,000	-	-	-	3,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	30,000,000	-	-	-	3,000,000	15 December 2016 to 14 December 2019
Mr. CHEUNG Kam Shing	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2016 to 14 December 2019
Ms. IP Kit Yee, Kitty* <i>(Former Non-Executive Director)</i>	10 December 2014	0.44	3,330,000	-	-	-	333,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	3,330,000	-	-	-	333,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	3,340,000	-	-	-	334,000	15 December 2016 to 14 December 2019
Total			125,000,000	-	-	-	12,500,000	

* All the share options granted to Ms. IP Kit Yee, Kitty were lapsed on 28 February 2018.

Note: Immediately upon the share consolidation becoming effective from 28 June 2017, the exercise price of the outstanding share options was adjusted from HK\$0.044 per share to HK\$0.44 per share and the number of shares of the Company comprised in the outstanding share options which may be allotted and issued upon exercise was also adjusted on the basis that every ten (10) shares of the Company of HK\$0.01 each be consolidated into one (1) share of the Company of HK\$0.1 each.

SHARE OPTION SCHEME (Continued)

Information on the accounting policy for share options granted under the Share Option Scheme is provided in note 3(r)(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 2017.

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 30 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 services agreement (the "Services Agreement") was made on 7 February 2017 between the Company and Midland Holdings, the controlling shareholder (as defined under the Listing Rules) of the Company, whereby Midland Group may refer prospective purchasers of property in Hong Kong to the Group 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, any period less than 15 days would be rounded up to a whole 15-day period and charged at 0.125%. 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 2017 to 31 December 2019.

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 financial year ended 31 December 2017 and the financial years ending 31 December 2018 and 2019 had been fixed at HK\$12 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 2017 was approximately HK\$0.7 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 February 2017).

CONTINUING CONNECTED TRANSACTIONS (Continued)

2. A tenancy agreement was made on 27 April 2016 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company directly wholly owned by an associate of Ms. TANG Mei Lai, Metty, an 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).
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).
4. 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 years ended 31 December 2016 and 2017 and the year ending 31 December 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 years ended 31 December 2016 and 2017 and the year ending 31 December 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 years ended 31 December 2016 and 2017 and the year ending 31 December 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 2017 were approximately HK\$97.7 million and of the referral fees paid/payable by Midland Group to the Group under the Cross Referral Services Agreement (2015) in 2017 were approximately HK\$34.6 million, which had not exceeded the maximum aggregate annual values for that year.

CONTINUING CONNECTED TRANSACTIONS (Continued)

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.

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 39 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.

CHANGE OF COMPANY NAME OF PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

The company name of the principal share registrar and transfer office of the Company in the Cayman Islands has been changed from Codan Trust Company (Cayman) Limited to Conyers Trust Company (Cayman) Limited with effect from 30 March 2017.

The address of the principal share registrar and transfer office in the Cayman Islands remains unchanged.

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 2017, that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

- With effect from 1 January 2018, Ms. WONG Ching Yi, Angela is entitled to a profit sharing.

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 2017 are set out in note 33 to the consolidated financial statements.

BANK LOAN

An analysis of bank loan of the Group as at 31 December 2017 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 2017.

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

The interests of the Directors in businesses which compete or are likely to compete, directly or indirectly, with the businesses of the Group during the year were as follows:

Ms. TANG Mei Lai, Metty held directorship in Midland Holdings and had deemed interests in Midland Group, and Ms. WONG Ching Yi, Angela held directorships in Midland Group. Midland Group engaged in the same businesses of real estate agency and surveying as the Group. Ms. TANG retired as director of Midland Holdings with effect from the conclusion of its annual general meeting held on 28 June 2017.

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 competes or is 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 2017 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, 27 March 2018

The Letter from Chief Executive Officer on pages 3 to 6 form part of the Management Discussion and Analysis.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding

As at 31 December 2017, the Group had cash and cash equivalents of HK\$750,312,000 (2016: HK\$657,661,000), whilst bank loan amounted to HK\$6,286,000 (2016: HK\$7,243,000) and unsecured zero coupon convertible note of HK\$172,622,000 (2016: Nil).

The maturity profile of the Group's borrowings is set out as follows:

	2017 HK\$'000	2016 HK\$'000
Bank loan <i>(Note)</i>		
– repayable within 1 year	961	951
– repayable after 1 year but within 2 years	988	973
– repayable after 2 years but within 5 years	3,137	3,062
– repayable over 5 years	1,200	2,257
	6,286	7,243
Convertible note		
– repayable after 2 years but within 5 years	172,622	–

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.

The Group's bank loan was secured by certain investment properties held by the Group of HK\$72,600,000 (2016: HK\$64,400,000). As at 31 December 2017, the Group had unutilised borrowing facilities amounting to HK\$15,000,000 (2016: HK\$15,000,000) from a bank. Both of the cash and cash equivalents and the bank loan of the Group are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2017, the gearing ratio of the Group was 16.8% (2016: 1.0%). The gearing ratio is calculated on the basis of the Group's total bank loan and convertible note over total equity of the Group. Increase in gearing ratio was due to the issue of convertible note for acquiring the entire issued shares of Most Wealth (Hong Kong) Limited (the "Acquisition"). 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 3.4 (2016: 3.5). The return on equity of the Group, which is the ratio of profit for the year over total equity was 8.4% (2016: 2.5%).

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

Capital Structure and Foreign Exchange Exposure

With the approval of the shareholders at an extraordinary general meeting held on 27 June 2017, every 10 issued and unissued ordinary shares with a par value of HK\$0.01 each were consolidated into 1 ordinary share with a par value of HK\$0.10 each in the share capital of the Company. The share consolidation was effective on 28 June 2017.

Save for the issue of shares and convertible note in relation to the Acquisition and the share consolidation, there was no material change in the Group's capital structure during the year. The Group generally finances its operating and investing activities with equity holders' funds.

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

Contingent Liabilities

As at 31 December 2017, the Company executed corporate guarantees amounting to HK\$29,780,000 (2016: HK\$29,780,000) as the securities for general banking facilities and a bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2017, banking facilities of HK\$6,286,000 were utilised by a subsidiary (2016: HK\$7,243,000).

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

Material Investments

(i) Acquisition during 2017

On 10 January 2017, the Group entered into an acquisition agreement pursuant to which the Group acquired the entire issued shares of Most Wealth (Hong Kong) Limited ("Most Wealth"). The principal asset of Most Wealth is a property located at Nos. 33 and 35 Java Road, Hong Kong. The consideration was settled by a combination of (i) the allotment and issue of 4,347,826,086 shares (before the effect of share consolidation) of the Company; and (ii) the issue of convertible note with principal amount of HK\$200 million. The consideration was subject to cash adjustment, which was paid in cash and was determined with reference to the other assets and liabilities of Most Wealth as at the completion date. For details, please refer to the Company's announcements dated 10 January 2017 and 22 March 2017 and the circular dated 17 February 2017. The Acquisition was completed on 22 March 2017. The property was ready to be used as serviced apartments and shops at the end of 2017.

(ii) Acquisition completed after the reporting period

On 28 November 2017, the Group entered into target companies acquisition agreements and properties acquisition agreements (the "LMK Acquisitions"). Pursuant to the target companies acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell the entire issued shares (and including the assignment of sale debt) of the target companies. The principal assets of the target companies are the property interests in 6th and 8th floors of LMK Development Estate. Pursuant to the properties acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell 5th, 7th and 12th floors and three car parking spaces of LMK Development Estate. The aggregate consideration for the LMK Acquisitions is agreed at HK\$196 million (subject to cash adjustment) and was settled by cash of the Group. The LMK Acquisitions were completed on 16 March 2018. The properties are intended to be leased out for rental income. For details, please refer to the Company's announcements dated 28 November 2017 and 16 March 2018 and the circular dated 23 January 2018.

The financial position of the Group remains solid and healthy. The Acquisition and the LMK Acquisitions allow the Company to further broaden the income source and avoid the reliance on its volatile agency fee income and allow the Group to enjoy the possible capital appreciation of the properties.

Employee information

As at 31 December 2017, the Group employed 720 full-time employees (2016: 657).

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 94, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- 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 2017, 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 ("HKSA") 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*****Revenue recognition for property agency fees***

Refer to notes 3(t) and 5(a) to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates.

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 2017, property agency fees amounted to approximately HK\$635 million, representing 99.6% of the revenues reported by the Group.

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.

We understood, evaluated and tested the design and operating effectiveness of the key management controls, including the relevant information technology systems, over revenue recognition for property agency fees. We determined that we could rely on these controls for the purpose of our audit.

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.

We consider the judgements made by management are supportable by the evidence obtained and procedures performed.

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 focused on this area because there is complex and subjective judgement over both the timing of recognition and the magnitude of the provision for trade receivables impairment, which amounted to approximately HK\$31 million as at 31 December 2017.</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>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>We understood, evaluated and tested the design and operating effectiveness of the key management controls over debt collection and impairment assessment process, including relevant information technology 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 tested the accuracy of the aging of trade receivables on a sample basis by tracing to the respective sale and purchase agreements.</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>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, 27 March 2018

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenues	6(a)	637,247	520,268
Other income	7	11,290	4,985
Staff costs	8	(319,303)	(247,338)
Rebate incentives		(131,278)	(148,755)
Advertising and promotion expenses		(14,774)	(14,138)
Operating lease charges in respect of office and shop premises		(33,681)	(39,195)
Impairment of receivables		(10,647)	(21,386)
Depreciation expenses		(3,259)	(4,088)
Other operating costs		(27,326)	(28,986)
Operating profit	10	108,269	21,367
Finance income	11	2,290	2,129
Finance costs	11	(5,697)	(150)
Profit before taxation		104,862	23,346
Taxation	12	(14,944)	(5,246)
Profit and total comprehensive income for the year attributable to equity holders		89,918	18,100
		HK cents	HK cents (Restated)
Earnings per share	14		
Basic		5.258	1.321*
Diluted		4.655	1.321*

* Adjusted for the effect of share consolidation on 28 June 2017.

	Note	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	15	3,632	4,793
Investment properties	16	487,600	64,400
Deposits	18	29,751	-
Deferred taxation assets	17	3,370	2,280
		524,353	71,473
Current assets			
Trade and other receivables	18	264,333	265,097
Tax recoverable		1,600	1,812
Cash and cash equivalents	19	750,312	657,661
		1,016,245	924,570
Total assets		1,540,598	996,043
EQUITY AND LIABILITIES			
Equity holders			
Share capital	20	180,528	137,050
Share premium	20	745,086	549,433
Reserves	21	139,143	42,823
Total equity		1,064,757	729,306
LIABILITIES			
Non-current liabilities			
Deferred taxation liabilities	17	739	631
Convertible note	24	172,622	-
		173,361	631
Current liabilities			
Trade and other payables	22	284,717	256,469
Bank loan	23	6,286	7,243
Tax payable		11,477	2,394
		302,480	266,106
Total liabilities		475,841	266,737
Total equity and liabilities		1,540,598	996,043

The consolidated financial statements on pages 50 to 94 were approved by the Board of Directors on 27 March 2018 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 2017

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000 (note 21)	Total equity HK\$'000
At 1 January 2017	137,050	549,433	42,823	729,306
Total comprehensive income				
Profit for the year	-	-	89,918	89,918
Transaction with owners				
Issue of new shares for the Acquisition (note 25)	43,478	195,653	-	239,131
Equity component of convertible note issued (note 25)	-	-	6,402	6,402
At 31 December 2017	180,528	745,086	139,143	1,064,757
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

	Note	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	26	84,108	(13,909)
Hong Kong profits tax paid		(7,277)	(3,043)
Interest paid		(147)	(150)
Net cash from/(used in) operating activities		76,684	(17,102)
Cash flows from investing activities			
Net cash inflow from the acquisition of a subsidiary	25	26,387	-
Payments for property and equipment		(2,098)	(1,712)
Payments for investment property under development		(9,655)	-
Bank interest received		2,290	2,129
Net cash from investing activities		16,924	417
Cash flows from financing activity			
Repayment of bank loan		(957)	(945)
Net cash used in financing activity		(957)	(945)
Net increase/(decrease) in cash and cash equivalents		92,651	(17,630)
Cash and cash equivalents at 1 January		657,661	675,291
Cash and cash equivalents at 31 December	19	750,312	657,661

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, and property investment in Hong Kong.

For the period from 1 January 2016 to 22 December 2016, the ultimate holding company was Midland Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong. On 23 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.

Significant event and transaction completed during the year

On 10 January 2017, the Group entered into an acquisition agreement to acquire the entire issued shares of Most Wealth (Hong Kong) Limited (“Most Wealth” or “Acquisition”), a company wholly owned by Mr. WONG Kin Yip, Freddie (“Mr. WONG”), being the director of Midland Holdings Limited. Details of the Acquisition are set out in Note 25.

The consolidated financial statements have been approved by the board of directors (the “Board”) on 27 March 2018.

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 (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and liability component of convertible note 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) Amendments effective in 2017

Annual Improvements Project	Annual Improvements 2014–2016 Cycle
HKAS 7 (amendments)	Disclosure Initiative
HKAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above amendments to existing standards did not have significant effect on the financial statements 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) New standards, interpretation and amendments which are not yet effective

The following new standards, interpretation and amendments to standards have been issued but are not effective for 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9 (Note (i))	Financial Instruments	1 January 2018
HKFRS 15 (Note (iii))	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16 (Note (iii))	Leases	1 January 2019
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019

Notes:

(i) **HKFRS 9 “Financial Instruments”**

Management is assessing the impacts of the adoption of this new standard but does not consider there will be a significant impact to the Group’s consolidated financial statements.

(ii) **HKFRS 15 “Revenue from Contracts with Customers”**

Nature of Change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is currently assessing the effects of applying the new standards on the Group’s consolidated financial statements and has identified the application of HKFRS 15 may result in the identification of variable consideration. More detailed assessment will be carried out by the Group to estimate the impact of the new rules on the Group’s consolidated financial statements.

Date of adoption by the Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard from its effective date.

2 BASIS OF PREPARATION (Continued)

(b) New standards, interpretation and amendments which are not yet effective (Continued)

Notes: (Continued)

(iii) HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$38,415,000.

The Group has not yet assessed what adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

The adoption of this standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The expected impacts of the adoption of the other new standards, interpretation and amendments to standards 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (Continued)

(i) Consolidation (Continued)

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

(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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 cash equivalents" 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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of financial assets (Continued)

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Convertible note

For share-based payment transactions in which the Group has granted the counterparty the right to choose whether a share-based payment transaction is settled in cash or by issuing equity instruments, the Group has granted a compound financial instrument, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash). For transactions with parties other than employees, in which the fair value of the goods or services received is measured directly, the Group measures the equity component of the compound financial instrument as the difference between the fair value of the goods or services received and the fair value of the debt component, at the date when the goods or services are received.

The Group accounts separately for the goods or services received or acquired in respect of each component of the compound financial instrument. For the debt component, the Group recognises the goods or services acquired, and a liability to pay for those goods or services, as the counterparty supplies goods or renders service, in accordance with the requirements applying to cash-settled share-based payment transactions. For the equity component, the Group recognises the goods or services received, and an increase in equity, as the counterparty supplies goods or renders service, in accordance with the requirements applying to equity-settled share-based payment transactions. For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

(o) 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.

(p) 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.

(q) 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)

(q) 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.

(r) 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);
- 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).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits (Continued)

(iii) Share-based payment (Continued)

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

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.

(s) 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.

(t) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(v) 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.

(w) 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 cash equivalents and trade and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

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

Cash and cash equivalents 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 and liabilities other than bank deposits, bank borrowings and convertible note 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\$2,615,000 (2016: HK\$825,000) higher/lower for the year ended 31 December 2017.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

The Group aims to finance its operations with its own capital and earnings. Except for the issue of convertible note for the Acquisition as detailed in note 25, the Group 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	1-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Total carrying amount as at 31 December HK\$'000
At 31 December 2017					
Trade and other payables	-	284,717	-	284,717	284,717
Bank loan	6,835	-	-	6,835	6,286
Convertible note	-	-	200,000	200,000	172,622
	6,835	284,717	200,000	491,552	463,625

	On demand HK\$'000	Less than 1 year HK\$'000	1-5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Total carrying amount as at 31 December HK\$'000
At 31 December 2016					
Trade and other payables	-	256,469	-	256,469	256,469
Bank loan	7,871	-	-	7,871	7,243
	7,871	256,469	-	264,340	263,712

(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, bank loan and convertible note. 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.

4 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

The total debt to equity ratios at 31 December 2017 and 2016 were as follows:

	2017 HK\$'000	2016 HK\$'000
Bank loan	6,286	7,243
Convertible note	172,622	-
Total debt	178,908	7,243
Total equity	1,064,757	729,306
Total debt to equity ratio	16.8%	1.0%

(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 payables approximate their fair values due to their short-term maturities.

The fair value estimation of investment properties and liability component of convertible note are disclosed in notes 16 and 24, respectively, to the consolidated financial statements.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(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.

(b) Impairment of trade receivables

Management reviews regularly the recoverable amount of each individual trade receivable 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(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

	2017 HK\$'000	2016 HK\$'000
Agency fee	634,686	517,874
Rental income	2,561	2,394
Total revenues	637,247	520,268

(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 reports in order to assess performance and allocate resources. The Executive Directors determine the operating segments based on these reports.

The Executive Directors assess the performance based on the nature of the Group's businesses principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops. Upon the completion of the Acquisition as detailed in note 25, a new operating segment namely "property investment" is formed. Prior period comparative segment information has been restated accordingly to conform with the presentation in the current year.

	Year ended 31 December 2017				
	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Property investment HK\$'000	
Total revenues	303,908	177,358	171,985	2,561	655,812
Inter-segment revenues	(7,627)	(7,722)	(3,216)	-	(18,565)
Revenues from external customers	296,281	169,636	168,769	2,561	637,247
Segment results	72,273	31,487	20,840	9,289	133,889
Fair value gain on investment properties	-	-	-	8,200	8,200
Impairment of receivables	(1,778)	(2,581)	(6,288)	-	(10,647)
Depreciation expenses	(252)	(992)	(1,941)	-	(3,185)
Additions to non-current assets	230	922	835	415,000	416,987

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2016 (Restated)				
	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Property investment HK\$'000	
Total revenues	219,446	115,404	202,174	2,394	539,418
Inter-segment revenues	(8,282)	(7,162)	(3,706)	-	(19,150)
Revenues from external customers	211,164	108,242	198,468	2,394	520,268
Segment results	36,604	3,606	4,246	6,502	50,958
Fair value gain on investment properties	-	-	-	4,200	4,200
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

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 a related party/fellow subsidiaries, corporate expenses, finance income, finance costs and taxation are not included in the segment results.

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

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

	2017 HK\$'000	2016 HK\$'000 (Restated)
Segment results for reportable segments	133,889	50,958
Service fee income from a related party/fellow subsidiaries (note 30(a))	692	405
Corporate expenses	(26,312)	(29,996)
Finance income	2,290	2,129
Finance costs	(5,697)	(150)
Profit before taxation per consolidated statement of comprehensive income	104,862	23,346

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reportable segment:

	As at 31 December 2017				
	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Property investment HK\$'000	
Segment assets	105,377	86,221	72,571	518,434	782,603
Segment liabilities	107,890	102,144	58,788	24,014	292,836

	As at 31 December 2016 (Restated)				
	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Property investment HK\$'000	
Segment assets	96,155	68,047	101,668	64,523	330,393
Segment liabilities	81,472	70,366	88,707	7,724	248,269

Reportable segment assets are reconciled to total assets as follows:

	2017 HK\$'000	2016 HK\$'000 (Restated)
Segment assets	782,603	330,393
Corporate assets	754,625	663,370
Deferred taxation assets	3,370	2,280
Total assets per consolidated balance sheet	1,540,598	996,043

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	2017 HK\$'000	2016 HK\$'000 (Restated)
Segment liabilities	292,836	248,269
Corporate liabilities	182,266	17,837
Deferred taxation liabilities	739	631
Total liabilities per consolidated balance sheet	475,841	266,737

7 OTHER INCOME

	2017 HK\$'000	2016 HK\$'000
Fair value gain on investment properties (note 16)	8,200	4,200
Fair value gain on convertible note (note 24)	2,395	–
Service fee income from a related party/fellow subsidiaries (note 30(a))	692	405
Others	3	380
	11,290	4,985

8 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2017 HK\$'000	2016 HK\$'000
Salaries and allowances	102,451	97,967
Commissions	209,800	142,396
Pension costs for defined contribution plans	7,052	6,570
Share-based benefits	–	405
	319,303	247,338

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 2017 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. TANG Mei Lai, Metty (re-designated from Non-executive Director on 26 June 2017)	144	-	-	8	152
Ms. WONG Ching Yi, Angela	30	-	-	2	32
Mr. WONG Hon Shing, Daniel (Chief Executive Officer)	-	1,335	4,330	18	5,683
	174	1,335	4,330	28	5,867
<i>Non-executive Directors</i>					
Mr. KAN Chung Nin, Tony (Chairman)	320	-	-	-	320
Ms. TANG Mei Lai, Metty (re-designated to Executive Director on 26 June 2017)	58	-	-	-	58
Mr. TSANG Link Carl, Brian	120	-	-	-	120
Mr. CHU Kuo Fai, Gordon (alternate director to Mr. TSANG Link Carl, Brian)	-	-	-	-	-
	498	-	-	-	498
<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
	1,032	1,335	4,330	28	6,725

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 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 (Chief Executive Officer)	-	1,105	316	18	1,439
	30	1,105	316	20	1,471
<i>Non-executive Directors</i>					
Mr. KAN Chung Nin, Tony (appointed as Chairman and Non-executive Director on 18 October 2016)	65	-	-	-	65
Ms. TANG Mei Lai, Metty (re-designated from Chairman and Non-executive Director to Non-executive Director on 18 October 2016)	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)

In addition to the directors' emoluments disclosed above, the estimated value of share options granted to Mr. WONG Hon Shing, Daniel for the year ended 31 December 2016 and 2017 amounted to HK\$47,000 and nil respectively. Including the estimated value of share options granted, total remuneration of Mr. WONG Hon Shing, Daniel for the year ended 31 December 2017 amounted to HK\$5,683,000 (2016: HK\$1,486,000). The director's fee in the sum of HK\$58,000 (2016: 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 (2016: nil).

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

During the year ended 31 December 2017, the Group did not pay consideration to any third parties for making available directors' services (2016: nil).

(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 2017, 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 (2016: nil).

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

Save as disclosed in note 30(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 (2016: one) director whose emoluments are reflected in the analysis shown in note 9(a). The emoluments payable to the remaining four (2016: four) individuals during the year are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries and allowances	2,094	2,344
Discretionary bonuses	167	180
Retirement benefit costs	72	69
	2,333	2,593

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
HK\$0 – HK\$1,000,000	4	4

10 OPERATING PROFIT

Operating profit is arrived at after charging:

	2017 HK\$'000	2016 HK\$'000
Direct operating expenses arising from investment properties that generated rental income	27	32
Auditor's remuneration		
– Audit services	906	806
– Non-audit services	1,440	343

11 FINANCE INCOME AND COSTS

	2017 HK\$'000	2016 HK\$'000
Finance income		
Bank interest income	2,290	2,129
Finance costs		
Interest on bank loan	(147)	(150)
Interest on convertible note (note 24)	(5,550)	–
Finance (cost)/income, net	(3,407)	1,979

12 TAXATION

	2017 HK\$'000	2016 HK\$'000
Current taxation		
Hong Kong profits tax	15,908	5,501
Deferred taxation (note 17)	(964)	(255)
	14,944	5,246

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

12 TAXATION (Continued)

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:

	2017 HK\$'000	2016 HK\$'000
Profit before taxation	104,862	23,346
Calculated at a taxation rate of 16.5% (2016: 16.5%)	17,302	3,852
Income not subject to taxation	(1,728)	(1,045)
Expenses not deductible for taxation purposes	1,345	242
Utilisation of unrecognised tax losses	(979)	(1,075)
Tax losses not recognised	664	1,340
Recognition of previously unrecognised temporary difference	(1,333)	–
Other temporary differences not recognised	–	1,532
Others	(327)	400
Taxation charge	14,944	5,246

13 DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: nil).

14 EARNINGS PER SHARE

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

	2017 HK\$'000	2016 HK\$'000 (Restated)
Profit attributable to equity holders	89,918	18,100
Effect on interest expenses of convertible note	5,550	–
Profit for the calculation of diluted earnings per share	95,468	18,100
Weighted average number of shares for the calculation of basic earnings per share (thousands) (Note)	1,709,988	1,370,500
Effect on conversion of convertible note (thousands)	339,488	–
Effect on conversion of share options (thousands)	1,189	–
Weighted average number of shares for the calculation of diluted earnings per share (thousands)	2,050,665	1,370,500
Basic earnings per share (HK cents)	5.258	1.321
Diluted earnings per share (HK cents)	4.655	1.321

14 EARNINGS PER SHARE (Continued)

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 and the convertible note. For the year ended 31 December 2017, adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible note is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense.

Diluted earnings per share for the year ended 31 December 2016 was the same as basic earnings per share since the exercise of share options would have an anti-dilutive effect.

Note: The weighted average number of shares and the basic and diluted earnings per share for the year ended 31 December 2016 are adjusted retrospectively to take into account the effect of the share consolidation during the year (Note 20(a)(ii)) as if it had taken place before the beginning of the comparative period.

15 PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 January 2017				
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
Year ended 31 December 2017				
Opening net book amount	2,354	283	2,156	4,793
Additions	1,483	104	511	2,098
Depreciation expenses	(1,969)	(143)	(1,147)	(3,259)
Closing net book amount	1,868	244	1,520	3,632
At 31 December 2017				
Cost	10,717	2,606	20,898	34,221
Accumulated depreciation	(8,849)	(2,362)	(19,378)	(30,589)
Net book amount	1,868	244	1,520	3,632

15 PROPERTY AND EQUIPMENT (Continued)

	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

16 INVESTMENT PROPERTIES

	2017 HK\$'000	2016 HK\$'000
Opening net book amount	64,400	60,200
Investment property under development acquired from the Acquisition (note 25)	396,282	-
Additions	18,718	-
Change in fair value recognised in the consolidated statement of comprehensive income (note 7)	8,200	4,200
Closing net book amount	487,600	64,400

Investment property under development of HK\$396,282,000 was acquired during the year as detailed in Note 25. Upon the completion of the enhancement works with additions of HK\$18,718,000 during the year, the investment property is used as serviced apartments and shops.

Investment properties of HK\$72,600,000 (2016: HK\$64,400,000) are pledged as security for the Group's bank loan (note 23).

The fair value gain on investment properties of HK\$8,200,000 (2016: HK\$4,200,000) is included in "other income" in the consolidated statement of comprehensive income (note 7).

16 INVESTMENT PROPERTIES (Continued)

Valuation

Valuation is performed half-yearly and the results are reported to and discussed among the management, which is in line with the Group's half-yearly reporting periods.

As at 31 December 2017, valuations were undertaken by Midland Surveyors Limited, a related party and a qualified professional valuer, and Jones Lang LaSalle Limited, an independent qualified professional valuer. Both valuers have appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties are generally derived using the income capitalisation method and direct comparison method, wherever appropriate. Income capitalisation 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 prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on sales prices of comparable properties in close proximity which are adjusted for differences in key attributes such as size, floor level, layout, view, frontage and accessibility etc.

As at 31 December 2017 and 2016, all investment properties are included in level 3 in the fair value hierarchy.

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. There were no changes to the valuation techniques and transfers among the fair value hierarchy during the year.

Information about fair value measurements using significant unobservable inputs for the investment properties of office, serviced apartments and shops in Hong Kong:

Valuation method	Range of significant unobservable inputs		
	Prevailing market rent per month	Unit price	Capitalisation rate
Income capitalisation	HK\$27.5 to HK\$114.0 per square foot (saleable) (2016: HK\$25 per square foot (saleable))	N/A	2017: 2.8% to 3.5% (2016: 3.6%)
Direct comparison	N/A	HK\$21,900 to HK\$49,400 per square foot (2016: N/A)	N/A

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 valuer based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

17 DEFERRED TAXATION

	2017 HK\$'000	2016 HK\$'000
Deferred taxation assets	3,370	2,280
Deferred taxation liabilities	(739)	(631)
	2,631	1,649

The net movements on the deferred taxation are as follows:

	2017 HK\$'000	2016 HK\$'000
At 1 January	1,649	1,394
Acquisition of a subsidiary (note 25)	18	-
Recognised in the consolidated statement of comprehensive income (note 12)	964	255
At 31 December	2,631	1,649

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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
At 1 January	663	935	244	319	1,505	767	2,412	2,021
Acquisition of a subsidiary (note 25)	18	-	-	-	-	-	18	-
Recognised in the consolidated statement of comprehensive income	424	(272)	65	(75)	1,169	738	1,658	391
At 31 December	1,105	663	309	244	2,674	1,505	4,088	2,412

17 DEFERRED TAXATION (Continued)

Deferred taxation liabilities

	Accelerated tax depreciation	
	2017 HK\$'000	2016 HK\$'000
At 1 January	(763)	(627)
Recognised in the consolidated statement of comprehensive income	(694)	(136)
At 31 December	(1,457)	(763)

Deferred taxation assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred taxation assets of HK\$5,657,000 (2016: HK\$5,972,000) in respect of losses amounting to HK\$34,286,000 (2016: HK\$36,197,000) as at 31 December 2017. These tax losses can be carried forward against future taxable income indefinitely.

In addition, the Group did not recognise deferred taxation assets of HK\$200,000 (2016: HK\$285,000) and HK\$533,000 (2016: HK\$1,866,000) in respect of decelerated tax depreciation and provision respectively.

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

	2017 HK\$'000	2016 HK\$'000
Deferred taxation assets		
– Recoverable after more than twelve months	3,370	2,280
Deferred taxation liabilities		
– Payable or settle after more than twelve months	(739)	(631)

18 TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	275,440	284,218
Less: provision for impairment	(30,541)	(38,754)
Trade receivables, net	244,899	245,464
Other receivables, prepayments and deposits	49,185	19,633
	294,084	265,097
Categorised as:		
Current portion	264,333	265,097
Non-current portion (Note 31)	29,751	–
	294,084	265,097

18 TRADE AND OTHER RECEIVABLES (Continued)

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:

	2017 HK\$'000	2016 HK\$'000
Not yet due	228,708	228,122
Less than 30 days	3,056	8,824
31 to 60 days	3,397	2,455
61 to 90 days	3,582	4,637
91 to 180 days	5,364	726
Over 180 days	792	700
	244,899	245,464

Trade receivables of HK\$16,191,000 (2016: HK\$17,342,000) are due but not impaired. Such receivables are past due less than six months or subsequently received after the year end.

As at 31 December 2017, a provision for impairment for trade receivables of HK\$30,541,000 (2016: HK\$38,754,000) 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:

	2017 HK\$'000	2016 HK\$'000
At 1 January	38,754	31,481
Provision for impairment	10,647	21,386
Write-off of uncollectible debts	(18,860)	(14,113)
	30,541	38,754

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 CASH EQUIVALENTS

	2017 HK\$'000	2016 HK\$'000
Cash at banks and on hand	228,158	321,042
Short term bank deposits	522,154	336,619
	750,312	657,661

20 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital and share premium

	Note	Number of issued shares	Nominal value HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2016, 31 December 2016 and 1 January 2017 of HK\$0.01 each		13,705,000,000	137,050	549,433	686,483
Issue of new shares for the Acquisition	(i)	4,347,826,086	43,478	195,653	239,131
Share consolidation	(ii)	(16,247,543,478)	-	-	-
At 31 December 2017 of HK\$0.1 each		1,805,282,608	180,528	745,086	925,614

Notes:

- (i) The Company issued 4,347,826,086 shares (before the effect of share consolidation) on 22 March 2017 as part of the consideration of the Acquisition (note 25). The ordinary shares issued have the same rights as the other shares in issue. Based on the closing share price of the Company on 22 March 2017 of HK\$0.055 per share (before the effect of share consolidation), the fair value of the shares issued amounted to HK\$239,131,000 (note 25). The issuance of shares resulted in an increment in nominal value of HK\$43,478,000 (HK\$0.01 per share before the effect of share consolidation) and increase in share premium of HK\$195,653,000.
- (ii) At 31 December 2016, the total authorised number of ordinary shares was 50 billion shares with a nominal value of HK\$0.01 per share. With the approval of the shareholders at an extraordinary general meeting held on 27 June 2017, every 10 issued and unissued ordinary shares of HK\$0.01 each were consolidated into 1 share of HK\$0.10 each in the share capital of the Company (the "Share Consolidation"). Following the Share Consolidation which has become effective on 28 June 2017, the total authorised number of ordinary shares is 5 billion shares with a nominal value of HK\$0.1 per share. All issued shares are fully paid.

(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.

20 SHARE CAPITAL AND SHARE PREMIUM (Continued)

(b) Share options (Continued)

(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	
		2017	2016 (Restated)
15 December 2014 to 14 December 2019	0.44	3,833,000	3,833,000
15 December 2015 to 14 December 2019	0.44	4,333,000	4,333,000
15 December 2016 to 14 December 2019	0.44	4,334,000	4,334,000
		12,500,000	12,500,000

Immediately upon the Share Consolidation becoming effective from 28 June 2017, the exercise price of the outstanding share options was adjusted from HK\$0.044 per share to HK\$0.44 per share and the number of shares of the Company comprised in the outstanding share options which may be allotted and issued upon exercise was also adjusted on the basis that every ten shares of the Company of HK\$0.01 each be consolidated into one share of the Company of HK\$0.1 each.

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

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

	2017		2016	
	Weighted average exercise price per option HK\$	Number of options	Weighted average exercise price per option HK\$ (Restated)	Number of options (Restated)
At beginning of the year	0.44	12,500,000	0.45	14,500,000
Lapsed	-	-	0.53	(2,000,000)
At end of the year	0.44	12,500,000	0.44	12,500,000

All outstanding options were exercisable as at 31 December 2017 (2016: all).

The options outstanding as at 31 December 2017 had a weighted average remaining contractual life of 1.95 years (2016: 2.95 years).

No expense (2016: HK\$405,000) was recognised by the Group for the year ended 31 December 2017 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	Convertible bond equity reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2017	(559,073)	14,918	2,405	-	584,573	42,823
Profit for the year	-	-	-	-	89,918	89,918
Equity component of convertible note issued (note 25)	-	-	-	6,402	-	6,402
At 31 December 2017	(559,073)	14,918	2,405	6,402	674,491	139,143
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

Notes:

- (a) Merger reserve represents the difference between the net asset value of subsidiaries acquired and the consideration paid to Midland Holdings Limited 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

	2017 HK\$'000	2016 HK\$'000
Commissions and rebates payable	243,634	224,170
Other payables and accruals	41,083	32,299
	284,717	256,469

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 HK\$46,495,000 (2016: HK\$18,117,000) which are due for payment within 30 days, and all the remaining commissions and rebates payable are not yet due.

23 BANK LOAN

The Group's bank loan is repayable as follows:

	2017 HK\$'000	2016 HK\$'000
Within 1 year	961	951
After 1 year but within 2 years	988	973
After 2 years but within 5 years	3,137	3,062
Over 5 years	1,200	2,257
	6,286	7,243

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 of HK\$72,600,000 (2016:HK\$64,400,000) held by the Group (note 16) and corporate guarantee given by the Company.

The effective interest rate of the bank loan is 2.84% (2016: 2.35%). The carrying amount and fair value of the bank loan are as follows:

	Carrying amount		Fair value	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Bank loan	6,286	7,243	6,286	7,243

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 2.84% (2016: 2.35%).

The Group has the following undrawn borrowing facilities:

	2017 HK\$'000	2016 HK\$'000
Floating rates Expiring within one year	15,000	15,000

24 CONVERTIBLE NOTE

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due on 22 March 2021 (the "Maturity Date"), in the aggregate principal amount of HK\$200 million as part of the consideration for the Acquisition (note 25). The holder of the convertible note shall have the right to convert on or before the Maturity Date the whole or any part of the principal amount of the convertible note into fully paid ordinary shares of the Company at an initial conversion price of HK\$0.46 (after the effect of Share Consolidation) per ordinary share of the Company. Unless previously converted, purchased or cancelled, this note will be redeemed at their principal amount on the Maturity Date.

24 CONVERTIBLE NOTE (Continued)

The movement of the liability component of convertible note recognised in the consolidated balance sheet is set out below:

	2017 HK\$'000	2016 HK\$'000
At 1 January	-	-
Fair value of liability component on initial recognition as at 22 March 2017 (note 25)	169,467	-
Interest expenses (note 11)	5,550	-
Fair value gain (note 7)	(2,395)	-
At 31 December	172,622	-

The management had used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted binomial model to determine the fair value of convertible note as of the date of issuance and at the reporting date. Key assumptions at the issuance and reporting date are set as below:

	31 December 2017	22 March 2017
Discount rate	4.67%	4.23%
Risk-free interest rate	1.68%	1.24%

Discount rate applied in determining the fair value of the convertible note was estimated by considering risky discount rate comprising a risk free rate, and credit and liquidity premiums as of each appraisal date. The management estimated the risk-free interest rate based on the sovereign curve of government bonds of Hong Kong with a term commensurate with the period from respective appraisal dates to expected maturity date. The credit and liquidity spreads were estimated by referring to option adjusted spreads of comparable note of the comparable companies within the similar industry and certain academic study, respectively.

25 ACQUISITION OF A SUBSIDIARY

On 10 January 2017, the Group entered into an acquisition agreement (the "Acquisition Agreement") with Mr. WONG, the director of Midland Holdings Limited. Mr. WONG is also the spouse of Ms. TANG Mei Lai, Metty, a director of the Company, and father of Ms. WONG Ching Yi, Angela, a director of the Company. Pursuant to the Acquisition Agreement, the Group acquired the entire issued shares of Most Wealth. The consideration for the Acquisition was settled by a combination of (i) allotment and issue of 4,347,826,086 shares (before the effect of Share Consolidation) of the Company; and (ii) the issue of convertible note in the principal amount of HK\$200,000,000. The consideration was subject to cash adjustment, which was paid in cash and was determined with reference to the other assets and liabilities of Most Wealth as at the completion date. The Acquisition was completed on 22 March 2017 (the "Acquisition Date").

The principal asset of Most Wealth is the entire interest in a property located at Nos. 33 and 35 Java Road, Hong Kong. Given there was no business activity carried out by Most Wealth, the Acquisition was accounted for as an asset acquisition.

25 ACQUISITION OF A SUBSIDIARY (Continued)

The fair values of the assets acquired and the liabilities assumed at the Acquisition Date are analysed as follows:

	HK\$'000
Assets and liabilities	
Investment property under development (note 16)	396,282
Deferred taxation assets (note 17)	18
Other receivables and prepayments	262
Cash and cash equivalents	25,864
Other payables and accruals	(7,285)
Taxation payable	(664)
	<hr/>
Total identifiable net assets acquired	414,477

Note:

- (i) None of the contractual cash flows of the above amount was estimated to be uncollectible.

The fair value of consideration and net cash inflow from the Acquisition are as follow:

	HK\$'000
Fair value of share consideration (note 20)	239,131
Fair value of convertible note	
– Liability component (note 24)	169,467
– Equity component	6,402
Less: cash adjustment received from Mr. WONG	(523)
	<hr/>
Fair value of consideration paid	414,477
	<hr/>
Cash adjustment received from Mr. WONG	523
Add: cash and cash equivalents acquired	25,864
	<hr/>
Net cash inflow	26,387

Note:

- (i) Acquisition-related costs of HK\$4,960,000 that were not directly attributable to the issue of shares are included in other operating costs in profit or loss and in operating cash flows in the consolidated statement of cash flows.

There was no acquisition in year ended 31 December 2016.

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017 HK\$'000	2016 HK\$'000
Operating profit	108,269	21,367
Impairment of receivables	10,647	21,386
Depreciation expenses	3,259	4,088
Fair value gain on investment properties	(8,200)	(4,200)
Fair value gain on convertible note	(2,395)	-
Share-based benefits	-	405
Operating profit before working capital changes	111,580	43,046
Change in trade and other receivables	(39,372)	(140,283)
Change in trade and other payables	11,900	83,328
Net cash generated from/(used in) operations	84,108	(13,909)

(b) Non-cash investing activities

On 22 March 2017, the Company issued 4,347,826,086 shares (before the effect of Share Consolidation) and the convertible note in the principal amount of HK\$200,000,000 as the consideration of the Acquisition (note 25).

(c) Debt reconciliation

The movements in debt for the year are as follows:

	Bank loan due within one year HK\$'000	Bank loan due after one year HK\$'000	Convertible note HK\$'000	Total HK\$'000
Net debt as at 1 January 2017	951	6,292	-	7,243
Cash flows	(957)	-	-	(957)
Acquisition (note 25)	-	-	169,467	169,467
Other non-cash movements	967	(967)	3,155	3,155
Net debt as at 31 December 2017	961	5,325	172,622	178,908

27 CONTINGENT LIABILITIES

As at 31 December 2017, the Company executed corporate guarantee amounting to HK\$29,780,000 (2016: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2017, banking facilities of HK\$6,286,000 were utilised by a subsidiary (2016: HK\$7,243,000).

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.

28 FUTURE LEASE RENTAL RECEIVABLE

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

	2017 HK\$'000	2016 HK\$'000
Within one year	564	2,396
Between one year and five years	9	514
	573	2,910

29 COMMITMENTS

(a) Capital commitments

Save as disclosed in note 31, the Group did not have any significant capital commitments as at 31 December 2017 and 2016.

(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:

	2017 HK\$'000	2016 HK\$'000
Within one year	28,612	24,426
After one year but within five years	9,803	10,593
	38,415	35,019

30 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	2017 HK\$'000	2016 HK\$'000
Agency fee income from:	(i)		
– fellow subsidiaries		–	26,106
– other related parties	(vi)	34,591	90
Rental income in respect of office premise from:	(ii)		
– fellow subsidiaries		–	2,288
– other related parties	(vi)	2,510	58
Service fee income from:	(iii)		
– fellow subsidiaries		–	405
– a related party	(vi)	692	–
Rebate incentives to:	(iv)		
– fellow subsidiaries		–	(100,473)
– other related parties	(vi)	(97,676)	(1,486)
Operating lease rental expense to related companies	(v)	(3,430)	(3,298)

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

- (i) Agency fee income from fellow subsidiaries/other related parties represents agency fee for property agency transactions referred to fellow subsidiaries/other related parties on terms mutually agreed by both parties.
- (ii) The Group entered into lease agreements with fellow subsidiaries/other related parties on terms mutually agreed by both parties.
- (iii) Service fee income from fellow subsidiaries/a related party represents service fee for assistance provided by the Group in procuring the issuance of cashier's orders to prospective purchasers of primary residential properties referred by fellow subsidiaries/a related party. The service fee is charged on terms mutually agreed by both parties.
- (iv) Rebate incentives to fellow subsidiaries/other related parties represent commission for property agency transactions referred by fellow subsidiaries/other related parties 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, 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 a 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\$10,475,000 with other related parties (note (vi)) during the year (2016: HK\$13,122,000 with its fellow subsidiaries and HK\$602,000 with other related parties).

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

	2017 HK\$'000	2016 HK\$'000
Amounts due from other related parties	24,756	23,596
Amounts due to other related parties	(74,311)	(77,181)

(c) Key management compensation

	2017 HK\$'000	2016 HK\$'000
Fees, salaries, allowances and incentives	5,839	1,451
Retirement benefit costs	28	20
Share-based benefits	-	47
	5,867	1,518

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

31 EVENT AFTER BALANCE SHEET DATE

On 28 November 2017, the Group entered into target companies acquisition agreements and properties acquisition agreements (the "LMK Acquisitions"). Pursuant to the target companies acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell the entire issued shares (and including the assignment of sale debt) of the target companies. The principal assets of the target companies are the property interests in 6th and 8th floors of LMK Development Estate. Pursuant to the properties acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell 5th, 7th and 12th floors and three car parking spaces of LMK Development Estate. The aggregate consideration for the LMK Acquisitions is agreed at HK\$196,000,000 (subject to cash adjustment). As at 31 December 2017, initial deposits and related costs of HK\$29,751,000 were paid and included in "deposits" in the non-current assets. The remaining balance of the consideration was settled by cash of the Group upon completion on 16 March 2018.

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
	Note	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	33	640,000	640,000
Deposits	31	29,751	-
Deferred taxation assets		135	91
		669,886	640,091
Current assets			
Amounts due from subsidiaries		957,326	569,716
Other receivables, prepayments and deposits		732	2,558
Bank balances		216	1,160
		958,274	573,434
Total assets		1,628,160	1,213,525
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	137,050
Share premium		745,086	549,433
Reserves	(a)	528,110	524,283
Total equity		1,453,724	1,210,766
LIABILITIES			
Non-current liabilities			
Convertible note	24	172,622	-
Current liabilities			
Other payables and accruals		1,814	2,759
Total liabilities		174,436	2,759
Total equity and liabilities		1,628,160	1,213,525

The balance sheet of the Company was approved by the Board of Directors on 27 March 2018 and was signed on its behalf.

WONG Ching Yi, Angela
Director

WONG Hon Shing, Daniel
Director

32 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	Convertible bond equity reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2017	2,509	2,405	-	519,369	524,283
Loss for the year	-	-	-	(2,575)	(2,575)
Equity component of convertible note issued (note 25)	-	-	6,402	-	6,402
At 31 December 2017	2,509	2,405	6,402	516,794	528,110
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

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

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held (%)	
				2017	2016
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 the 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

33 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held (%)	
				2017	2016
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
Most Wealth (Hong Kong) Limited	Hong Kong	3 shares	Property investment in Hong Kong	100	N/A
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 to the group companies in Hong Kong	100	100

Note: These 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%
Nos. 33 and 35 Java Road, Hong Kong	IL6828 and IL6829	Commercial	Long	100%

	Year ended 31 December				
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
For the year					
Revenue	637,247	520,268	470,143	547,678	562,505
Profit before taxation	104,862	23,346	6,072	45,476	32,659
Profit attributable to equity holders of the Company	89,918	18,100	2,371	39,661	24,904
Cashflows					
Net cash inflow/(outflow) from operating activities	76,684	(17,102)	39,613	67,120	94,148
At year end					
Total assets	1,540,598	996,043	892,670	951,809	831,296
Total liabilities	475,841	266,737	181,869	244,815	164,842
Total equity	1,064,757	729,306	710,801	706,994	666,454
Cash and cash equivalents	750,312	657,661	675,291	640,214	572,220
Per share data	HK cents	HK cents (Restated)	HK cents (Restated)	HK cents (Restated)	HK cents (Restated)
Basic earnings per share (Note)	5.258	1.321	0.173	2.895	1.818
Diluted earnings per share (Note)	4.655	1.321	0.173	2.895	1.818

Note: The weighted average number of shares and the basic and diluted earnings per share data for the year ended 31 December 2016 and prior years are adjusted retrospectively to take into account the effect of the Share Consolidation during the year (Note 20(a)(ii)) as if it had taken place before the beginning of the prior periods.

