美聯工商舖
MIDLAND IC&I
(459)香港聯交所上市公司

MIDLAND IC&I LIMITED
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
(Stock code 股份代號：459)

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年報 2012
Annual Report

*For identification purposes only 僅供識別

美聯工商舖
MIDLAND IC&I
(459) 香港聯交所上市公司

Contents

2012 Annual Report

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

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

CAYMAN ISLANDS LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.midlandici.com.hk

STOCK CODE

459

Letter from Chief Executive Officer

BUSINESS REVIEW

For the year ended 31 December 2012, Midland IC&I Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded net profit of HK$175,822,000, representing an increase of 92% comparing with that of 2011. The revenue for the year also increased by 78% to HK$814,368,000. 2012 was a profitable year for the Group, during which the Group's results were striking and reached record-high. In the fourth quarter of last year, the introduction of the Buyer's Stamp Duty and enhanced Special Stamp Duty on residential properties by the government affected the overall property market. Unaffected by those measures, the non-residential (industrial and commercial properties and shops) ("non-residential") market became a safe haven for investors. The policy changes coupled with the third round of quantitative easing measures (QE3) in the US, investors became increasingly interested in investing in this sector. The market uptrend in the first half of the year continued for the rest of the year, the Group's performance in the second half of the year was in line with that of the market. According to the figures of the Land Registry, the number and value of the agreements for sale and purchase of non-residential properties registered in 2012 reached a new high since the handover in 1997.

Since the Lunar New Year in 2012, the transactions of the non-residential market rebounded rapidly. In the subsequent three quarters, the number and value of agreements for sale and purchase of non-residential properties registered with the Land Registry increased. Apart from a series of indicative transactions of commercial buildings and shops located in core business districts and on first-tier streets in retail business districts, projects of subdividing shopping arcades into individual units for sale in other districts heated up as well. For example, "H8", being acquired by an investor, was swiftly subdivided for sale with all units being sold out in less than three weeks.

Meanwhile, "t.mark", a shopping arcade investment project worth over HK$900 million, was subdivided into approximately 237 units for sale at the end of 2012 and had immediately gained strong market response with all units being sold out within a few days. This project represented a landmark case of success amid the recent trend of sale of subdivided shopping arcades, affirming the strong interest of investors of non-residential market in the new subdivision projects. In review of 2012, the upbeat of the prospect of the retail sector was optimistic as a result of the flourishing tourism sector. Record-high transactions for retail shops in Kowloon and Hong Kong Island took place, boosting the number of transactions and the retail rental market. Last year, a number of retail shops was leased at record-breaking rent per square foot.

1 The Group was awarded the "Excellent Brand of Commercial Property Agent" by the Hong Kong Leaders' Choice for six consecutive years.

2 The Group was awarded "The Outstanding Brand Awards 2012" by the Economic Digest, evidencing the Group's superiority.

3 The Group is committed to fulfilling its corporate social responsibilities. This year it was awarded "Prime Awards for Corporate Social Responsibility" for the first time.

4 The Group was awarded "Asia Excellence Brand Award 2012" by Yazhou Zhoukan.

5 The management together with the staff of the Group visited the Dermatology Hospital of Helong Reservoir in Guangzhou Taihe Town and donated wheelchairs and walker equipment.

6 The Group sponsored "Rotary Walkathon" (扶輪愛心行) and the staff participated in showing their support.

In a market full of opportunities and with the synergy of our management and staff, the Group has achieved outstanding results in 2012, which was attributable to the unity and dedication of our management and staff. The Company has always stressed the importance of team spirit and has actively encouraged cross-departmental co-operation and co-operation with affiliates in order to develop more business opportunities. A number of sizable transactions took place last year through the co-operation with the residential division and Mainland division of Midland Holdings Limited (stock code: 1200), the holding company of the Company, which fully demonstrated the spirit of solidarity.

Last year, the Group captured various opportunities and expanded actively. The total number of frontline and back office staff increased by 55% to 853 people with more resources deployed on staff training. The network of our branches was stretched to cover various districts in Hong Kong Island, Kowloon and the New Territories. In addition, Hong Kong Property Services (IC&I) Limited, a subsidiary of the Group, established its commercial division by taking advantage of the market uptrend. The Group also actively formulated various marketing strategies to develop its business and brand in order to strengthen the Company's position in the non-residential market. Over the years, the Group was well recognized by various institutions and was awarded the "Excellent Brand of Commercial Property Agent 2012" by the Hong Kong Leaders' Choice for six consecutive years, the "Outstanding Brand Award 2012" by the Economic Digest and the "Asia Excellence Brand Award 2012" by Yazhou Zhoukan etc.

Letter from Chief Executive Officer

OUTLOOK

2013 will be a year full of opportunities and challenges. The Company will continue to seize the market, stay abreast of the market and enhance its market competitiveness.

Policy intervention may suppress transactions

The uncertainties in global economies, coupled with the government interventions on the non-residential market, the increase in transaction costs and lowering of mortgage ratios, have casted doubt on the development of the non-residential market. The demand for short-term investment and speculation will be dampened, possibly dragging in property users at the same time. As the government has now adopted a different approach towards the non-residential market, the Company will continue to closely monitor the government policies. Therefore, the Group will adopt a cautiously optimistic approach on expansion and development plan this year.

Fundamentals remain sound

However, given the continued effect of the US quantitative easing measures and the subsequent loose monetary policies of Europe and Japan, liquidity in the market is expected to remain ample. Moreover, as there are fewer restrictions on the non-residential market than the residential property market, investment in non-residential properties are expected to remain as a good investment option.

In fact, industrial and commercial properties and shops have their own advantages. The government's aggressive promotion of the policy of "Revitalization of Industrial Buildings" is beneficial to the development of industrial and commercial properties. The gradual improvement of the global business environment has boosted confidence of foreign and state-owned enterprises to expand in Hong Kong, resulting in an increase in demand for office space. Regarding the shops market, despite there has been a slowdown in the growth of the retail sector, it is believed that the strong consumption power of Mainland individual visitors will likely support its stable development.

Seize market opportunities, optimize network to capture market share

The Company continues to aim at seizing market share. To explore more new business opportunities, the Company will capitalize its success and advance by implementing diversified business and brand development strategies in order to continuously build up its market leading position and encourage cross-departmental co-operation and co-operation with affiliates, with a view to secure more business opportunities.

Attract talents and actively explore new bases

The Company makes appointments on the basis of the merit of individuals concerned and values its staff as precious assets. This year, the Company will further strengthen staff training to enhance their professional standard. The Company will keep abreast of the market trend and base on the competitive environment, periodically review its network and human resources so as to deliver "prompt, precise, sincere, caring and professional" services to customers, thereby demonstrating its corporate strength.

Contribute to society and undertake our corporate social responsibility

The Company is also committed to giving back to the community and has actively undertaken corporate social responsibility. Our management has set a good example and will continue to lead the staff to participate in volunteer activities and provide support to various community activities through donations and other forms of sponsorships, thereby giving a helping hand to the needy in society.

Keep abreast of market and undaunted by market challenges

The Company will continue to keep abreast of the market pace and react with appropriate deployment strategies in accordance with the changes in the competitive environment so as to meet different market challenges. In the recent Budget, the government will make significant investment in tourism infrastructure such as the expansion plans of Ocean Park and Disneyland, and continue to increase the supply of hotel rooms through multiple initiatives. These have demonstrated the government's determination to develop the tourism sector. The positive prospect of Hong Kong tourism sector will benefit the development of non-residential market in the long run, and the Group remains cautiously optimistic about the market.

APPRECIATION

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

WONG Hon Shing, Daniel
Chief Executive Officer

Hong Kong, 14 March 2013

Profile of Directors

EXECUTIVE DIRECTORS

Ms. TANG Mei Lai, Metty, aged 57, has been the Chairman and Executive Director of the Company since September 2008. She is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

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

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

Ms. TANG is currently the director, president and honorary member of Midland Charitable Foundation Limited and participates in charitable activities from time to time. Ms. TANG joined Midland Holdings and its subsidiaries ("Midland Group") in 2004. She is the spouse of Mr. WONG Kin Yip, Freddie, the chairman and executive director of Midland Holdings and is also the mother of Ms. WONG Ching Yi, Angela, the Executive Director of the Company and the deputy chairman, deputy managing director and executive director of Midland Holdings.

Ms. WONG Ching Yi, Angela, aged 32, has been an Executive Director of the Company since December 2011. During June 2007 to March 2008, she was the Executive Director of the Company.

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

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

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

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

Prior to joining Midland Group, she worked for PricewaterhouseCoopers, an international accounting firm, for several years. She is the vice chairman of Youth Professionals Committee, Standing Committee member of The Association of Hong Kong Professionals and member of The Y.Elites Association. She is also a member of the Practice and Examination Committee of the Estate Agents Authority.

Ms. WONG is the daughter of Mr. WONG Kin Yip, Freddie, the chairman and executive director of Midland Holdings and Ms. TANG Mei Lai, Metty, the executive director of Midland Holdings and the Chairman, Managing Director and Executive Director of the Company.

Mr. WONG Hon Shing, Daniel, aged 49, has been appointed as the Executive Director and Chief Executive Officer of the Company since December 2011. He is also a member of the Remuneration Committee and Nomination Committee of the Company.

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

Mr. WONG was the Sales Director of the Commercial Department of the Group and from May 2009 to December 2011, he acted as the Chief Operating Officer of the Group. He joined Midland Group in 1994 and joined the Group in 2006. He has over 23 years of experience in non-residential property agency business in Hong Kong.

NON-EXECUTIVE DIRECTOR

Mr. TSANG Link Carl, Brian, aged 49, 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 Iu, Lai & Li, the legal adviser of the Company and Midland Holdings. He graduated from King's College, London with an LLB Degree. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territory.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YING Wing Cheung, William, aged 62, has been the Independent Non-executive Director of the Company since May 2005. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. YING has over 38 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 Jiang Jia Electronics Co. Ltd.

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

Mr. SHA Pau, Eric, aged 55, has been the Independent Non-executive Director of the Company since March 2006. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. SHA is the founder and is currently the managing director of Konda Industries Limited, a special leather goods manufacturing and exporting firm. He has over 27 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 48, has been the Independent Non-executive Director of the Company since December 2007. He is also the chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company.

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

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

ALTERNATE DIRECTOR

Mr. CHU Kuo Fai, Gordon, aged 47, 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 Iu, Lai & Li, the legal adviser of the Company and Midland Holdings. Mr. CHU graduated from King's College, London with an LLB Degree. He is also admitted to practise law in England and Wales, Australian Capital Territory, New York, Queensland and New South Wales.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) (the "Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2012, except for the deviation as explained below:

Due to other business engagements, Mr. HO Kwan Tat, Ted, being the Independent Non-executive Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee, and Mr. TSANG Link Carl, Brian, being the Non-executive Director, were unable to attend the annual general meeting of the Company held on 10 May 2012 and Mr. TSANG Link Carl, Brian was also unable to attend the extraordinary general meeting of the Company held on 13 December 2012 as provided for in A.6.7 of the Code.

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

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

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

(ii) Board Composition

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

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

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

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

BOARD OF DIRECTORS (Continued)

(ii) Board Composition (Continued)

Save and except Ms. TANG Mei Lai, Metty is the mother of Ms. WONG Ching Yi, Angela, none of the members of the Board are related to one another. The biographical details of the Directors are set out in the section of "Profile of Directors" on pages 7 to 8 of this Annual Report.

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

(iii) Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are separate. Ms. TANG Mei Lai, Metty and Mr. WONG Hon Shing, Daniel are the Chairman and the Chief Executive Officer of the Company respectively. The Chairman of the Board is responsible for formulating the overall corporate directions, strategic planning, business development and leading the management team of the Group. The Chief Executive Officer of the Company is responsible for the corporate and business strategies and development, and the implementation of strategies and policies to achieve the overall commercial objectives.

(iv) Board Meetings and Directors' Attendance

During the year ended 31 December 2012, the Board held eight meetings to discuss and approve, inter alia, the interim and annual results and other significant issues of the Group. At least 14 days' notice of all regular Board meetings is given to the Directors who are given the opportunity to include other matters in the meeting agenda. Individual attendance records of each of the Directors at the respective Board and committee meetings are set out on page 13 of this Annual Report.

(v) Non-executive Directors

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

Throughout the year ended 31 December 2012 and up to the date of this Annual Report, the Board has at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the requirements under Rule 3.10A of the Listing Rules relating to the appointment of the Independent Non-executive Directors representing at least one-third of the Board. The Board has received from each of the Independent Non-executive Directors an annual written confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and considered that the Independent Non-executive Directors to be 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. The recommendations of the Nomination Committee will then be put to the Board for decision. Details of the role and function as well as a summary of the work performed by the Nomination Committee are set out under the heading of "Nomination Committee" below.

BOARD OF DIRECTORS (Continued)

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

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

(vii) Directors' Training

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

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

During the year, the Company arranged an in-house seminar covering the topic of new inside information disclosure requirements under the Listing Rules and the Securities and Futures Ordinance with training materials provided. A summary of the record of training received by the Directors during the year 2012 is as follows:

Directors	Training on corporate governance, regulatory development and other relevant topics
Executive Directors	
Ms. TANG Mei Lai, Metty	✓
Ms. WONG Ching Yi, Angela	✓
Mr. WONG Hon Shing, Daniel	✓
Non-executive Director	
Mr. TSANG Link Carl, Brian	✓
Mr. CHU Kuo Fai, Gordon *(alternate director to Mr. TSANG Link Carl, Brian, appointed on 29 February 2012)*	✓
Independent Non-executive Directors	
Mr. YING Wing Cheung, William	✓
Mr. SHA Pau, Eric	✓
Mr. HO Kwan Tat, Ted	✓

BOARD COMMITTEES

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

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 are the Executive Directors.

Audit Committee

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

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

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

As at the date of this Annual Report, the Audit Committee has recommended to the Board and the Company has adopted a whistleblowing policy and system for employees and stakeholders to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Group.

Remuneration Committee

The Remuneration Committee is chaired by Mr. HO Kwan Tat, Ted, being the Independent Non-executive Director, with other four members namely Ms. TANG Mei Lai, Metty, Mr. WONG Hon Shing, Daniel, Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, majority of whom are the Independent Non-executive Directors. With effect from 17 September 2012, Mr. WONG Hon Shing, Daniel has been appointed as the member of the Remuneration Committee in place of Mr. WONG Tsz Wa, Pierre.

The Remuneration Committee is mainly responsible for 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 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 ended 31 December 2012 included reviewing the remuneration policy of the Group and determining the remuneration packages of the relevant Executive Directors and senior management and recommending the remuneration of the relevant Non-executive Directors to the Board for approval. No Director or senior management was involved in the determination of his/her own remuneration package. During the year, two Remuneration Committee meetings were held.

Details of Directors' emoluments of the Company are set out in note 9 to the financial statements on pages 54 to 56 of this Annual Report.

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee is chaired by Ms. TANG Mei Lai, Metty, with the other four members namely Mr. WONG Hon Shing, Daniel, Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted, majority of whom are the Independent Non-executive Directors. With effect from 17 September 2012, Mr. WONG Hon Shing, Daniel has been appointed as the member of the Nomination Committee in place of Mr. WONG Tsz Wa, Pierre.

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

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

ATTENDANCE RECORDS AT THE BOARD, COMMITTEE AND GENERAL MEETINGS

The attendance records of the individual Directors at the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings for the year ended 31 December 2012 are set out below:

	No. of Meetings Attended/Held				
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Executive Directors					
Ms. TANG Mei Lai, Metty *(Chairman and Managing Director)*	6/8	N/A	2/2	2/2	2/2
Mr. WONG Tsz Wa, Pierre[Note 1] *(Deputy Chairman) (resigned on 23 November 2012)*	7/7	N/A	1/1	1/1	1/1
Ms. WONG Ching Yi, Angela	8/8	N/A	N/A	N/A	2/2
Mr. WONG Hon Shing, Daniel[Note 2] *(Chief Executive Officer)*	7/8	N/A	1/1	1/1	2/2
Non-executive Director					
Mr. TSANG Link Carl, Brian	6/8	N/A	N/A	N/A	0/2
Mr. CHU Kuo Fai, Gordon *(alternate director to Mr. TSANG Link Carl, Brian, appointed on 29 February 2012)*	0/8	N/A	N/A	N/A	0/2
Independent Non-executive Directors					
Mr. YING Wing Cheung, William	7/8	2/2	2/2	2/2	2/2
Mr. SHA Pau, Eric	7/8	2/2	2/2	2/2	2/2
Mr. HO Kwan Tat, Ted	8/8	2/2	2/2	2/2	1/2

Notes:

1. Mr. WONG Tsz Wa, Pierre resigned as a member of the Nomination Committee (the "NC") and the Remuneration Committee (the "RC") with effect from 17 September 2012.

2. Mr. WONG Hon Shing, Daniel was appointed as a member of the NC and the RC with effect from 17 September 2012.

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.

Specific enquiries were made to all the Directors and the Directors confirmed that they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2012 except that Mr. WONG Hon Shing, Daniel, being the Chief Executive Officer and Executive Director, acquired 8,000,000 shares of the Company without due compliance with the Model Code and the Company's code of conduct regarding Directors' securities transactions before dealing. In this connection, a clarification announcement was made by the Company on 5 December 2012. The Company has taken remedial action to prevent non-compliance by the Directors in the future by reminding the Directors of the proper procedures regarding Directors' securities transactions pursuant to the Model Code.

DIRECTORS' INTERESTS

Details of Directors' interests in the shares, underlying shares and debentures of the Company and the associated corporation are set out in the Report of the Directors on pages 19 to 20 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs and of the results and cash flows for the year ended 31 December 2012. In preparing the financial statements for the year ended 31 December 2012, the Directors selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The responsibilities of the external auditor of the Company about their financial reporting are set out in the "Independent Auditor's Report" on pages 29 to 30 of this Annual Report.

CORPORATE GOVERNANCE FUNCTION

In order to achieve enhanced corporate governance of the Company and to fulfill the requirement of the recommended best practices of the Code, the Board has undertaken constant review of the policies for corporate governance of the Company, 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 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 this year, the Board performed the duties relating to corporate governance matters as mentioned above. As at the date of this Annual Report, the Company has adopted a whistleblowing policy and system for employees and stakeholders to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Group. The Company has also formulated the continuous disclosure obligation procedures as an internal policy of the Group to deal with inside information issues of the Company.

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 2012 amounted to approximately HK$844,000 (2011: HK$797,000) and HK$389,000 (2011: HK$390,000) respectively. The non-audit services mainly include interim results review, taxation and other professional services.

INTERNAL CONTROLS

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

During the year ended 31 December 2012, the Board, with the assistance of the internal audit department and the Audit Committee, conducted an annual review on the effectiveness of the Group's systems of internal control. The review also included the consideration of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

COMPANY SECRETARY

Mr. MOK Ka Fai ("Mr. MOK") was the Company Secretary as an employee of the Company during the year until 26 December 2012. With effect from 27 December 2012, the Company has engaged an external service provider to provide secretarial services and has appointed Ms. MUI Ngar May, Joel ("Ms. MUI") as its Company Secretary. Ms. MUI is not an employee of the Group and Mr. SZE Ka Ming, the Chief Financial Officer of the Company, is the person whom Ms. MUI can contact for the purpose of F.1.1 of the Code. Both Mr. MOK and Ms. MUI undertook over 15 hours of professional training during the year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene an Extraordinary General Meeting ("EGM")

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

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

(2) Procedures for putting forward proposals at EGM

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

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

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

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

(3) Shareholders' enquiries

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

Report of the Directors

The Directors of Midland IC&I Limited (the "Company") are pleased to present their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activities of the Company is investment holding. The activities of its principal subsidiaries are set out in note 35 to the financial statements.

Details of the analysis of the Group's performance for the year ended 31 December 2012 by operating segment are set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 31 of this Annual Report. The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2012 are set out in note 26 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounted to HK$511,830 (2011: HK$459,115).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2012 are set out in note 16 to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties are set out in note 17 to the financial statements.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 76 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 2012.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2012 and up to the date of this Annual Report are:

Executive Directors
Ms. TANG Mei Lai, Metty *(Chairman and Managing Director)*
Ms. WONG Ching Yi, Angela
Mr. WONG Hon Shing, Daniel *(Chief Executive Officer)*
Mr. WONG Tsz Wa, Pierre *(Deputy Chairman) (resigned on 23 November 2012)*

Non-executive Director
Mr. TSANG Link Carl, Brian *(with Mr. CHU Kuo Fai, Gordon (appointed on 29 February 2012) as his alternate)*

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

According to Article 87 of the articles of association of the Company, Mr. TSANG Link Carl, Brian, Mr. YING Wing Cheung, William and Mr. HO Kwan Tat, Ted shall retire by rotation at the forthcoming annual general meeting ("AGM") and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2012, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Personal interests in long positions in the shares and underlying shares of the Company

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

Notes:

1. These underlying shares are held by Mr. TSANG Link Carl, Brian by virtue of the interests in the share options of the Company granted to him.

2. These underlying shares are held by Mr. YING Wing Cheung, William by virtue of the interests in the share options of the Company granted to him.

3. These underlying shares are held by Mr. SHA Pau, Eric by virtue of the interests in the share options of the Company granted to him.

4. These underlying shares are held by Mr. HO Kwan Tat, Ted by virtue of the interests in the share options of the Company granted to him.

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

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

Name of associated corporation	Name of Director	Number of ordinary shares	Number of underlying shares	Nature of interest	Approximate percentage of issued share capital of Midland Holdings
Midland Holdings Limited ("Midland Holdings")	Ms. TANG Mei Lai, Metty	57,102,144 *(Note 5)*	7,209,160 *(Note 6)*	Family interest	8.96%
		–	7,209,160 *(Note 7)*	Personal interest	1.00%
Midland Holdings	Ms. WONG Ching Yi, Angela	–	7,209,160 *(Note 8)*	Personal interest	1.00%

Notes:

5. These shares represent the shares held by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), directly or indirectly, the spouse of Ms. TANG Mei Lai, Metty ("Ms. TANG"), as beneficial owner in the shares of Midland Holdings, the associated corporation of the Company.

6. These underlying shares represent the interests in the share options of Midland Holdings held by Mr. WONG, the spouse of Ms. TANG, as beneficial owner, by virtue of the interests in the share options of Midland Holdings granted to him.

7. These underlying shares are held by Ms. TANG by virtue of the interests in the share options of Midland Holdings granted to her.

8. These underlying shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options of Midland Holdings granted to her.

Saved as disclosed above, as at 31 December 2012, neither the Directors nor the chief executive of the Company had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, the interests or short positions of the shareholders, other than the Directors or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Number of ordinary shares	Holding capacity	Approximate percentage of issued share capital of the Company
Midland Holdings	9,700,000,000 *(Note)*	Interest in controlled corporation	70.80%
Valuewit Assets Limited ("Valuewit")	9,700,000,000 *(Note)*	Beneficial owner	70.80%

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

SHARE OPTION SCHEME

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

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

(a) *Purposes of the Share Option Scheme*

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

(b) *Participants of the Share Option Scheme*

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

(c) *Total number of shares available for issue*

Total number of shares available for issue is 810,000,000, representing approximately 5.91% of the issued share capital of the Company as at the date of this Annual Report.

SHARE OPTION SCHEME (Continued)

(d) *Maximum entitlement of each eligible person*

The maximum number of shares issued and to be issued upon exercise of 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 in their respective general meetings with such eligible person and his or her associates abstaining from voting and/or other requirements prescribed under the Listing Rules and other applicable statutory regulations or rules must be complied with.

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

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

Any further grant of share options in excess of the above-mentioned limit shall be separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland Holdings, the shareholders of Midland Holdings in their respective general meetings with all connected persons abstaining from voting and/or other requirements prescribed under the Listing Rules and other applicable statutory regulations or rules.

(f) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the 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 must be accepted within ten business days from the day on which such offer is made. The amount payable 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 the shares granted under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an eligible person but shall not be less than the highest of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of a share of the Company.

SHARE OPTION SCHEME (Continued)

(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 10 years from the date of adoption.

The particulars of movements of share options outstanding during the year under the Share Option Scheme were as follows:

Name of Director	Date of grant	Exercise price per share (HK$)	Closing price per share immediately before the date of grant (HK$)	Balance outstanding as at 1 January 2012	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Balance outstanding as at 31 December 2012	Exercisable period
Mr. TSANG Link Carl, Brian	2 September 2011	0.053	0.052	5,000,000	–	–	–	5,000,000	1 October 2011 to 30 September 2016
Mr. YING Wing Cheung, William	2 September 2011	0.053	0.052	5,000,000	–	–	–	5,000,000	1 October 2011 to 30 September 2016
Mr. SHA Pau, Eric	2 September 2011	0.053	0.052	5,000,000	–	–	–	5,000,000	1 October 2011 to 30 September 2016
Mr. HO Kwan Tat, Ted	2 September 2011	0.053	0.052	5,000,000	–	–	–	5,000,000	1 October 2011 to 30 September 2016
Total				20,000,000	–	–	–	20,000,000	

Information on the accounting policy for share options granted and the value of share options granted under the Share Option Scheme is provided in note 3(p)(iii) and note 25(b) to the financial statements.

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

CONVERTIBLE SECURITIES, OPTIONS AND WARRANTS

Save as disclosed under the section headed "SHARE OPTION SCHEME" above and the convertible notes issued by the Company as part of consideration of an acquisition disclosed in the Company's circular dated 7 May 2007 which were fully converted by Midland Holdings on 6 June 2012, neither the Company nor any of its subsidiaries issued or granted any convertible securities, options, warrants or similar rights and there was no exercise of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group for the year ended 31 December 2012.

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 34 to the financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

Connected Transactions

As disclosed in the Company's announcement dated 8 October 2012, the Group entered into a total of 3 engagements with the associates of Ms. TANG for provision of estate agency services in relation to the purchase and leasing of properties occurring within the period from 10 February 2012 to 22 September 2012. The aggregate amount of estate agency fees paid or payable in connection with the 3 engagements was HK$2,780,000.

Continuing Connected Transactions

1. A tenancy agreement was made on 30 April 2012 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company wholly-owned by an associate of Ms. TANG, the Chairman, Managing Director and an Executive Director of the Company, as landlord whereby the landlord agreed to lease the premises located at Nos.11-16 on 7/F, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon, Hong Kong as an office for the real estate agency business of the Group for a term of two years commencing from 1 May 2012 to 30 April 2014 at a monthly rental of HK$144,601 without rent-free period and option to renew (details of which were disclosed in the announcement of the Company dated 30 April 2012).

2. A tenancy agreement was made on 19 March 2012 between Teamway Group Limited, an indirect wholly-owned subsidiary of the Company, as landlord and City First Limited, an indirect wholly-owned subsidiary of Midland Holdings, the holding company of the Company, as tenant whereby the landlord agreed to lease the premises located at the whole of 21st Floor, Ford Glory Plaza, No. 37 Wing Hong Street, Kowloon, Hong Kong as a back office of Midland Holdings for generating secured steady income to the Group for a term of two years commencing from 19 March 2012 to 18 March 2014 at a monthly rental of HK$150,000 without rent-free period and option to renew (details of which were disclosed in the announcements of the Company dated 19 March 2012 and 19 March 2009).

3. A tenancy agreement was made on 30 April 2010 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company wholly-owned by an associate of Ms. TANG, as landlord whereby the landlord agreed to lease the premises located at Nos.11-16 on 7/F, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon, Hong Kong as an office for the real estate agency business of the Group for a term of two years commencing from 1 May 2010 to 30 April 2012 at a monthly rental of HK$113,166 for the first year and HK$125,740 for the second year with rent-free period from 1 May 2010 to 31 May 2010 and without option to renew (details of which were disclosed in the announcement of the Company dated 30 April 2010).

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

4. A cross referral services agreement (the "Cross Referral Services Agreement") was made on 5 November 2009 between the Company and Midland Holdings in relation to referral services provided between the relevant members of Midland Holdings and its subsidiaries ("Midland Group") and of the Group, whereby the relevant members of Midland Group may refer estate agency business in respect of industrial and commercial (office and shop) properties in Hong Kong, Macau and 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 15 December 2009.

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

5. A tenancy agreement was made on 19 March 2009 between Teamway Group Limited, an indirect wholly-owned subsidiary of the Company, as landlord and City First Limited, an indirect wholly-owned subsidiary of Midland Holdings, as tenant whereby the landlord agreed to lease a premises located at the whole of 21st Floor, Ford Glory Plaza, Kowloon, Hong Kong for generating secured steady income to the Group for a term of three years commencing from 19 March 2009 to 18 March 2012 at a monthly rental of HK$114,000 with rent-free period from 19 March 2009 to 18 May 2009 and option to renew for a further term of 3 years immediately after the expiry of the term at the prevailing market rent (details of which were disclosed in the announcement of the Company dated 19 March 2009).

Pursuant to Rule 14A.37 of the Listing Rules, the above continuing connected transactions ("Continuing Connected Transactions") have been reviewed by the Independent Non-executive Directors who have confirmed that the Continuing Connected Transactions have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group on pages 24 to 25 of this Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RETIREMENT SCHEME

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2012 are set out in note 35 to the financial statements.

BANK LOAN

An analysis of bank loan as at 31 December 2012 is set out in note 29 to the financial statements. Apart from the aforesaid, the Group has no other borrowings as at 31 December 2012.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Directors are reviewed and determined by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his or her associates is involved in deciding his or her own remuneration. The Company has a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in the section headed "SHARE OPTION SCHEME".

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements of the Group for the year ended 31 December 2012 have been audited by PricewaterhouseCoopers, who shall retire and, being eligible, will offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM to re-appoint them and to authorise the Board to fix their remuneration.

On behalf of the Board
Midland IC&I Limited
WONG Hon Shing, Daniel
Chief Executive Officer and Executive Director

Hong Kong, 14 March 2013

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2012, the Group had cash and bank balances of HK$488,051,000 (2011: HK$406,813,000), whilst bank loan amounted to HK$10,926,000 (2011: HK$11,800,000). The Group's bank loan was secured by investment properties held by the Group of HK$52,670,000 (2011: HK$40,640,000) and with maturity profile set out as follows:

	2012 HK$'000	2011 HK$'000
Repayable		
Within 1 year	893	871
After 1 year but within 2 years	910	889
After 2 years but within 5 years	2,838	2,775
Over 5 years	6,285	7,265
	10,926	11,800

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

As at 31 December 2012, the Group had unutilised banking facilities amounting to HK$15,500,000 (2011: HK$15,500,000) from various banks. The Group's cash and bank balances are deposited in Hong Kong Dollars and the Group's bank loan is in Hong Kong Dollars. The bank loan and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2012, the gearing ratio of the Group was 1.7% (2011: 3.1%). The gearing ratio is calculated on the basis of the Group's total bank loan and liability portion of convertible notes over total equity of the Group. The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 2.5 (2011: 4.5).

The directors of the Company (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

On 6 June 2012, the Company issued 5,400 million ordinary shares of HK$0.01 each upon full conversion of the convertible notes. Except for the aforementioned, there was no material change in the Company's capital structure during the year. The Group generally finances its operations and investing activities with equity holders' funds.

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

CONTINGENT LIABILITIES

As at 31 December 2012, the Company executed corporate guarantees amounting to HK$29,780,000 (2011: HK$29,780,000) as the securities for general banking facilities and bank loan granted to its wholly-owned subsidiaries. As at 31 December 2012, HK$10,926,000 of the banking facilities were utilised by a subsidiary (2011: HK$11,800,000).

EMPLOYEE INFORMATION

As at 31 December 2012, the Group employed 853 full-time employees (2011: 551).

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

A group picture of the management team of the Company including Mr. WONG Tsz Wa, Pierre, the Strategic Director (Middle), Mr. WONG Hon Shing, Daniel, the Chief Executive Officer (second from right), Mr. ONG Hung Cheung, Eric, the Chief Operating Officer (second from left), Mr. LO Chin Ho, Tony, a Director of Shops Department (right), and Mr. CHAN Wai Chi, Alvan, a Director of Industrial and Commercial Department (left). They will continue to lead our staff to seize the market and face the challenging year.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIDLAND IC&I LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Midland IC&I Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 31 to 74, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Revenues	6(a)	814,368	457,104
Other income	7	12,486	6,537
Staff costs	8	(423,974)	(247,974)
Rebate incentives		(82,680)	(36,860)
Advertising and promotion expenses		(18,172)	(11,541)
Operating lease charges in respect of office and shop premises		(20,382)	(13,821)
Impairment of receivables		(41,968)	(18,442)
Depreciation		(4,028)	(3,437)
Other operating costs		(33,717)	(25,795)
Operating profit	10	201,933	105,771
Finance income	11	5,230	2,918
Finance costs	11	(297)	(624)
Profit before taxation		206,866	108,065
Taxation	12	(31,044)	(16,722)
Profit for the year		175,822	91,343
Other comprehensive income			
Currency translation differences		(18)	(137)
Total comprehensive income for the year		175,804	91,206
Profit attributable to:			
Equity holders		175,822	91,343
Non-controlling interests		–	–
		175,822	91,343
Total comprehensive income attributable to:			
Equity holders		175,804	91,206
Non-controlling interests		–	–
		175,804	91,206
		HK cents	HK cents (Restated)
Earnings per share	15		
Basic		1.283	0.669
Diluted		1.283	0.669

Consolidated Balance Sheet

As at 31 December 2012

	Note	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 January 2011 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	9,175	5,567	4,721
Investment properties	17	52,670	40,640	35,100
Deferred taxation assets	22	5,371	1,801	3,102
		67,216	48,008	42,923
Current assets				
Trade and other receivables	23	462,867	130,404	205,888
Financial assets at fair value through profit or loss	20	155	130	163
Tax recoverable		–	1,576	–
Cash and bank balances	24	488,051	406,813	316,002
		951,073	538,923	522,053
Total assets		1,018,289	586,931	564,976
EQUITY AND LIABILITIES				
Equity holders				
Share capital	25	137,000	83,000	83,000
Share premium	25	549,168	85,816	85,816
Reserves	26	(44,646)	296,902	205,134
		641,522	465,718	373,950
Non-controlling interests		–	–	–
Total equity		641,522	465,718	373,950

Consolidated Balance Sheet
As at 31 December 2012

	Note	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 January 2011 HK$'000 (Restated)
Non-current liabilities				
Convertible notes	27	–	–	7,631
Deferred taxation liabilities	22	486	339	256
		486	339	7,887
Current liabilities				
Convertible notes	27	–	2,627	–
Trade and other payables	28	346,237	106,447	164,499
Bank loan	29	10,926	11,800	12,663
Taxation payable		19,118	–	5,977
		376,281	120,874	183,139
Total liabilities		376,767	121,213	191,026
Total equity and liabilities		1,018,289	586,931	564,976
Net current assets		574,792	418,049	338,914
Total assets less current liabilities		642,008	466,057	381,837

TANG Mei Lai, Metty
Director

WONG Hon Shing, Daniel
Director

Balance Sheet
As at 31 December 2012

	Note	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	19	642,609	642,609
Current assets			
Amounts due from subsidiaries	21	12,686	25,075
Other receivables	23	1,056	636
Bank balances	24	66	67
		13,808	25,778
Total assets		656,417	668,387
EQUITY AND LIABILITIES			
Equity holders			
Share capital	25	137,000	83,000
Share premium	25	549,168	85,816
Reserves	26	(75,814)	456,401
Total equity		610,354	625,217
Current liabilities			
Convertible notes	27	–	2,627
Amounts due to subsidiaries	21	45,199	39,384
Other payables and accruals	28	864	1,159
		46,063	43,170
Total liabilities		46,063	43,170
Total equity and liabilities		656,417	668,387
Net current liabilities		(32,255)	(17,392)
Total assets less current liabilities		610,354	625,217

TANG Mei Lai, Metty
Director

WONG Hon Shing, Daniel
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital HK$'000	Share premium HK$'000	Reserves HK$'000	Equity holders HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012, as previously reported	83,000	85,816	294,965	463,781	–	463,781
Change in accounting policy–adoption of HKAS 12 amendment (Note 2(b))	–	–	1,937	1,937	–	1,937
At 1 January 2012, as restated	83,000	85,816	296,902	465,718	–	465,718
Conversion of convertible notes	54,000	463,352	(517,352)	–	–	–
Comprehensive income						
Profit for the year	–	–	175,822	175,822	–	175,822
Other comprehensive income						
Currency translation differences	–	–	(18)	(18)	–	(18)
Total comprehensive income	–	–	175,804	175,804	–	175,804
At 31 December 2012	137,000	549,168	(44,646)	641,522	–	641,522
At 1 January 2011, as previously reported	83,000	85,816	204,051	372,867	–	372,867
Change in accounting policy–adoption of HKAS 12 amendment (Note 2(b))	–	–	1,083	1,083	–	1,083
At 1 January 2011, as restated	83,000	85,816	205,134	373,950	–	373,950
Comprehensive income						
Profit for the year, as restated	–	–	91,343	91,343	–	91,343
Other comprehensive income						
Currency translation differences	–	–	(137)	(137)	–	(137)
Total comprehensive income	–	–	91,206	91,206	–	91,206
Transaction with owners						
Employee share option scheme – value of employee services	–	–	562	562	–	562
At 31 December 2011, as restated	83,000	85,816	296,902	465,718	–	465,718

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Net cash generated from operations	30(a)	101,497	121,045
Hong Kong profits tax paid		(13,773)	(22,891)
Interest paid		(224)	(228)
Net cash from operating activities		87,500	97,926
Cash flows from investing activities			
Net cash inflow from disposal of subsidiaries	30(b)	–	2,075
Purchase of property, plant and equipment		(7,918)	(5,845)
Bank interest received		5,230	2,918
Net cash used in investing activities		(2,688)	(852)
Cash flows from financing activities			
Interest paid on convertible notes		(2,700)	(5,400)
Repayment of bank loan		(874)	(863)
Net cash used in financing activities		(3,574)	(6,263)
Net increase in cash and cash equivalents		81,238	90,811
Cash and cash equivalents at 1 January		406,813	316,002
Cash and cash equivalents at 31 December	24	488,051	406,813

Notes to the Financial Statements

1 GENERAL INFORMATION

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

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

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

The financial statements have been approved by the board of directors (the "Board" and "Directors") on 14 March 2013.

2 BASIS OF PREPARATION

(a) The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and financial assets at fair value through profit or loss, which are carried at fair values.

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

(b) Standards, interpretations and amendments effective in 2012

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets

In December 2010, the HKICPA amended Hong Kong Accounting Standard ("HKAS") 12, "Income taxes", to introduce an exception to the principle for the measurement of deferred taxation assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred taxation relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

As disclosed in Note 17, the Group has investment properties measured at their fair values totalling HK$40,640,000 as of 1 January 2012. The Group has adopted the amendment to HKAS 12 for the financial period beginning on 1 January 2012 and has applied the amendment retrospectively by re-measuring the deferred taxation relating to the investment properties according to the tax consequence on the presumption that they are recovered entirely by sale. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarised below:

2 BASIS OF PREPARATION (Continued)

(b) Standards, interpretations and amendments effective in 2012 (Continued)

Effect on consolidated balance sheet

	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000	As at 1 January 2011 HK$'000
Decrease in deferred taxation liabilities	(3,922)	(1,937)	(1,083)
Increase in retained earnings	3,922	1,937	1,083

Effect on consolidated income statement

	For the year ended 31 December	
	2012 HK$'000	2011 HK$'000
Decrease in deferred tax expense	(1,985)	(854)
Increase in profit attributable to equity holders	1,985	854
Increase in basic earnings per share	HK0.014 cents	HK0.006 cents
Increase in diluted earnings per share	HK0.014 cents	HK0.006 cents

There are no other amended standards and interpretations that are effective in 2012 which could be expected to have significant effect on the financial information of the Group or result in any significant changes in the Group's significant accounting policies.

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

The following new standards and amendments to standards have been issued but are not effective for 2012 and have not been early adopted by the Group.

Effective for the year ending 31 December 2013

HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

Effective for the year ending 31 December 2014

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Effective for the year ending 31 December 2015

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures
HKFRS 9	Financial Instruments

2 BASIS OF PREPARATION (Continued)

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Subsidiaries

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

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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

(b) Segment reporting

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

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 statement of comprehensive income.

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

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

(iii) Group companies

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

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

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

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

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

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

(d) Property, plant and equipment

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

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

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

Leasehold land classified as finance lease	Over the lease term
Buildings	50 years
Leasehold improvements	Over the lease term
Furniture and fixtures	4 years
Office equipment	4 years

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Research and website development costs

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

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

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

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

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

(h) Financial assets

The Group classifies its financial assets in the categories of at fair value through profit or loss and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

A financial asset (including derivative financial instrument) is classified as fair value through profit or loss if acquired principally for the purpose of trading or designated upon initial recognition. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(ii) Loans and receivables

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

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

(i) Trade and other receivables

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Cash and cash equivalents

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

(k) Share capital

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

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

(l) Trade and other payables

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

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

(m) Borrowings

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

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

(n) Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Taxation

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

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

(p) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement scheme obligations

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

(iii) Share-based compensation

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions

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

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

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

(r) Convertible notes

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

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

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

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

(s) Revenue recognition

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

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

Internet education and related services involving sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods. Services and training income are recognised when the related services are rendered.

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

Dividend income is recognised when the right to receive payment is established.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Operating leases

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

(u) Dividend distribution

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

(v) Contingent liabilities

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

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

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Credit risk

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

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

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

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

(ii) Cash flow and fair value interest rate risk

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

At the balance sheet date, if interest rates had been 25 basis point higher/lower with all other variables were held constant, the Group's profit before taxation would have been HK$958,000 (2011: HK$698,000) lower/higher for the year ended 31 December 2012.

(iii) Liquidity risk

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

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows; the maturity analysis of bank loan with a repayment on demand clause is based on the agreed scheduled repayments set out in the loan agreements. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000
At 31 December 2012			
Convertible notes	–	–	–
Trade and other payables	–	346,237	–
Bank loan	12,144	–	–
	12,144	346,237	–
At 31 December 2011			
Convertible notes	–	2,700	–
Trade and other payables	–	106,447	–
Bank loan	13,279	–	–
	13,279	109,147	–

(b) Capital risk management

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

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

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

The total debt to equity ratios at 31 December 2012 and 2011 were as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Bank loan	10,926	11,800
Total equity	641,522	465,718
Total debt to equity ratio	1.7%	2.5%

An entity of the Group is subject to certain loan covenants. For both 2012 and 2011, there is no non-compliance with these loan covenants.

4 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

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

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

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

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial instruments comprise primarily equity securities listed in Hong Kong. As at 31 December 2012, equity securities amounted to HK$155,000 (2011: HK$130,000) are measured at fair value based on quoted market prices at the balance sheet date which is categorised as level 1 under the fair value hierarchy pursuant to HKFRS 7. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Revenue recognition

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Impairment of trade receivables

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

Management reassesses the provision at each balance sheet date.

(c) Fair value of investment properties

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

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

	2012 HK$'000	2011 HK$'000
Turnover		
Agency fee	795,291	435,366
Internet education and related services	17,332	20,338
	812,623	455,704
Other revenues		
Rental income from a fellow subsidiary	1,707	1,368
Rental income from third party	38	32
Total revenues	814,368	457,104

(b) Segment information

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

Management assesses the performance based on the nature of the Group's business principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, and other business which mainly includes the provision of internet education and its related services.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	Year ended 31 December 2011				
	Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Others HK$'000	Total HK$'000
Total revenues	225,721	80,139	139,758	20,520	466,138
Inter-segment revenues	(6,360)	(1,537)	(2,355)	(182)	(10,434)
Revenues from external customers	219,361	78,602	137,403	20,338	455,704
Segment results	66,169	15,574	35,564	(126)	117,181
Impairment of receivables	6,745	6,531	5,166	–	18,442
Depreciation	759	1,004	416	573	2,752
Additions to non-current assets	361	2,364	1,099	1,746	5,570

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, fair value gain on investment properties, 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 statement of comprehensive income.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	2012 HK$'000	2011 HK$'000
Revenues from external customers for reportable segments	812,623	455,704
Rental income from a fellow subsidiary	1,707	1,368
Rental income from third party	38	32
Total revenues per consolidated statement of comprehensive income	814,368	457,104

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

	2012 HK$'000	2011 HK$'000
Segment results for reportable segments	207,440	117,181
Corporate expenses	(17,537)	(16,585)
Fair value gain on investment properties	12,030	5,175
Finance income	5,230	2,918
Finance costs	(297)	(624)
Profit before taxation per consolidated statement of comprehensive income	206,866	108,065

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

As at 31 December 2012	Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	154,856	121,522	251,687	15,639	543,704
Segment liabilities	94,187	61,640	165,346	9,521	330,694

As at 31 December 2011	Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	67,637	76,608	43,302	15,629	203,176
Segment liabilities	51,420	21,904	17,087	5,486	95,897

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2012 HK$'000	2011 HK$'000
Segment assets	543,704	203,176
Corporate assets	469,059	380,248
Deferred taxation assets	5,371	1,801
Financial assets at fair value through profit or loss	155	130
Tax recoverable	–	1,576
Total assets per consolidated balance sheet	1,018,289	586,931

Reportable segment liabilities are reconciled to total liabilities as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Segment liabilities	330,694	95,897
Corporate liabilities	45,587	24,977
Deferred taxation liabilities	486	339
Total liabilities per consolidated balance sheet	376,767	121,213

7 OTHER INCOME

	2012 HK$'000	2011 HK$'000
Fair value gain on investment properties (note 17)	12,030	5,175
Gain on disposal of subsidiaries	–	785
Others	456	577
	12,486	6,537

8 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2012 HK$'000	2011 HK$'000
Salaries and allowances	96,974	83,170
Commissions	321,494	159,685
Pension costs for defined contribution plans	5,506	4,557
Share-based benefits (note 25 (b))	–	562
	423,974	247,974

8 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

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

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

9 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2012 is set out below:

Name of director	Fees HK$'000	Salaries and allowances and benefits in kind HK$'000	Performance incentives HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors						
Ms. TANG Mei Lai, Metty	–	3,012	–	973	14	3,999
Mr. WONG Tsz Wa, Pierre (resigned on 23 November 2012)	27	–	–	–	13	40
Ms. WONG Ching Yi, Angela	30	–	–	–	2	32
Mr. WONG Hon Shing, Daniel	–	1,456	14,715	–	14	16,185
	57	4,468	14,715	973	43	20,256
Non-executive Director						
Mr. TSANG Link Carl, Brian	120	–	–	–	–	120
Mr. CHU Kuo Fai, Gordon (alternate director to Mr. TSANG Link Carl, Brian, appointed on 29 February 2012)	–	–	–	–	–	–
	120	–	–	–	–	120
Independent Non-executive Directors						
Mr. SHA Pau, Eric	120	–	–	–	–	120
Mr. YING Wing Cheung, William	120	–	–	–	–	120
Mr. HO Kwan Tat, Ted	120	–	–	–	–	120
	360	–	–	–	–	360
	537	4,468	14,715	973	43	20,736

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

(a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2011 is set out below:

Name of director	Fees HK$'000	Salaries and allowances and benefits in kind HK$'000	Performance incentives HK$'000	Discretionary bonuses HK$'000	Share-based benefits HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors							
Ms. TANG Mei Lai, Metty	–	2,868	–	484	–	12	3,364
Mr. WONG Tsz Wa, Pierre	–	1,624	6,544	–	–	12	8,180
Ms. WONG Ching Yi, Angela (appointed on 15 December 2011)	–	1	–	–	–	–	1
Mr. WONG Hon Shing, Daniel (appointed on 15 December 2011)	–	59	9	–	–	1	69
	–	4,552	6,553	484	–	25	11,614
Non-executive Director							
Mr. TSANG Link Carl, Brian	120	–	–	–	140.5	–	260.5
Independent Non-executive Directors							
Mr. SHA Pau, Eric	120	–	–	–	140.5	–	260.5
Mr. YING Wing Cheung, William	120	–	–	–	140.5	–	260.5
Mr. HO Kwan Tat, Ted	120	–	–	–	140.5	–	260.5
	360	–	–	–	421.5	–	781.5
	480	4,552	6,553	484	562	25	12,656

No director waived or agreed to waive any emoluments during the year (2011: Nil). No incentive payment for joining the Group was paid or payable to any directors during the year (2011: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include two (2011: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2011: three) individuals during the year are as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries and allowances	1,414	2,010
Discretionary bonuses	3,568	3,084
Retirement benefit costs	36	36
	5,018	5,130

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Below HK$1,000,000	1	–
HK$1,000,001 – HK$1,500,000	1	2
HK$2,500,001 – HK$3,000,000	1	1

10 OPERATING PROFIT

Operating profit is arrived at after charging:

	2012 HK$'000	2011 HK$'000
Loss on disposal of property, plant and equipment	282	331
Auditor's remuneration	844	797
Unrealised (gain)/loss on financial assets at fair value through profit or loss	(25)	33

11 FINANCE INCOME AND COSTS

	2012 HK$'000	2011 HK$'000
Finance income		
Bank interest income	5,230	2,918
Finance costs		
Finance cost of convertible notes wholly repayable within five years	(73)	(396)
Interest on borrowings not wholly repayable within five years (note)	(224)	(228)
	(297)	(624)
Finance income, net	4,933	2,294

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

12 TAXATION

	2012 HK$'000	2011 HK$'000 (Restated)
Current		
Hong Kong profits tax	34,467	15,338
Deferred (note 22)	(3,423)	1,384
	31,044	16,722

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

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

	2012 HK$'000	2011 HK$'000 (Restated)
Profit before taxation	206,866	108,065
Calculated at a taxation rate of 16.5% (2011: 16.5%)	34,133	17,831
Income not subject to taxation	(2,848)	(1,334)
Expenses not deductible for taxation purposes	–	93
Utilisation of previously unrecognised tax losses	(780)	(404)
Tax losses not recognised	660	429
Others	(121)	107
Taxation charge	31,044	16,722

13 LOSS/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$14,863,000 (2011: profit of HK$322,000).

14 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

15 EARNINGS PER SHARE

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

	2012 HK$'000	2011 HK$'000 (Restated)
Profit attributable to equity holders	175,822	91,343
Effect on interest expense on convertible notes, net of tax	–	331
Profit for calculation of basic and diluted earnings per share	175,822	91,674
Number of shares in issue (thousands)	13,700,000	8,300,000
Effect on conversion of convertible notes (thousands)	–	5,400,000
Number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000
Effect on conversion of share option (thousands)	–	–
Number of shares for calculation of diluted earnings per share (thousands)	13,700,000	13,700,000
Basic earnings per share (HK cents)	1.283	0.669
Diluted earnings per share (HK cents)	1.283	0.669

For the year ended 31 December 2011, basic earnings per share is calculated by adjusting the weighted average number of shares to take effect of the convertible notes since the convertible notes are mandatory convertible. The convertible notes are assumed to have been converted into shares from the date of the issuance of the convertible notes, and the net profit is adjusted to eliminate the interest expense less the tax effect. On 6 June 2012, the convertible notes have been converted into shares.

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted earnings per share for the year ended 31 December 2012 and 2011 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
At 1 January 2012					
Cost	–	7,458	1,311	12,886	21,655
Accumulated depreciation	–	(5,544)	(1,037)	(9,507)	(16,088)
Net book amount	–	1,914	274	3,379	5,567
Year ended 31 December 2012					
Opening net book amount	–	1,914	274	3,379	5,567
Additions	–	3,649	624	3,645	7,918
Disposals	–	(282)	–	–	(282)
Depreciation	–	(2,052)	(173)	(1,803)	(4,028)
Closing net book amount	–	3,229	725	5,221	9,175
At 31 December 2012					
Cost	–	10,448	1,935	16,297	28,680
Accumulated depreciation	–	(7,219)	(1,210)	(11,076)	(19,505)
Net book amount	–	3,229	725	5,221	9,175
At 1 January 2011					
Cost	390	5,750	1,184	10,430	17,754
Accumulated depreciation	(20)	(3,646)	(959)	(8,408)	(13,033)
Net book amount	370	2,104	225	2,022	4,721
Year ended 31 December 2011					
Opening net book amount	370	2,104	225	2,022	4,721
Additions	–	1,921	199	3,725	5,845
Transfer to investment properties (note 17)	(365)	–	–	–	(365)
Disposals	–	(120)	(53)	(158)	(331)
Disposal of subsidiaries	–	–	–	(866)	(866)
Depreciation	(5)	(1,991)	(97)	(1,344)	(3,437)
Closing net book amount	–	1,914	274	3,379	5,567
At 31 December 2011					
Cost	–	7,458	1,311	12,886	21,655
Accumulated depreciation	–	(5,544)	(1,037)	(9,507)	(16,088)
Net book amount	–	1,914	274	3,379	5,567

17 INVESTMENT PROPERTIES

	Group 2012 HK$'000	Group 2011 HK$'000
Opening net book amount	40,640	35,100
Transfer from land and buildings (note 16)	–	365
Change in fair value to the statement of comprehensive income (note 7)	12,030	5,175
Closing net book amount	52,670	40,640

The investment properties were revalued at 31 December 2012 by Midland Surveyors Limited, based on current prices in an active market for all properties.

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

	Group 2012 HK$'000	Group 2011 HK$'000
In Hong Kong		
Leases of between 10 to 50 years	52,670	40,640

Investment properties are pledged as security for the Group's bank loan (note 29).

18 INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Website development cost HK$'000	Licensing rights HK$'000	Total HK$'000
At 1 January 2011, 31 December 2011 and 2012				
Cost	4,325	6,534	6,318	17,177
Accumulated amortisation and impairment	(4,325)	(6,534)	(6,318)	(17,177)
Net book amount	–	–	–	–

19 SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted shares, at cost	642,609	642,609

Details of principal subsidiaries are set out in note 35 to the financial statements.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2012 HK$'000	Group 2011 HK$'000
Equity securities listed in Hong Kong, at market value	155	130

The fair value of financial assets at fair value through profit or loss was based on their current bid prices in an active market and are denominated in Hong Kong Dollars.

21 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

As at 31 December 2012, amounts receivable of HK$62,087,971 (2011: HK$46,974,000) are impaired and fully provided.

22 DEFERRED TAXATION

	Group 2012 HK$'000	Group 2011 HK$'000 (Restated)
Deferred taxation assets	5,371	1,801
Deferred taxation liabilities	(486)	(339)
	4,885	1,462

22 DEFERRED TAXATION (Continued)

The net movements on the deferred taxation are as follows:

	Group	
	2012 HK$'000	2011 HK$'000
At 1 January, as previously reported	(475)	1,763
Change in accounting policy – adoption of HKAS12 amendment (note 2(b))	1,937	1,083
At 1 January, as restated	1,462	2,846
Recognised in the statement of comprehensive income (note 12)	3,423	(1,384)
At 31 December	4,885	1,462

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

Deferred taxation assets

Group

	Accelerated depreciation		Provision		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
At 1 January	73	124	1,728	2,978	1,801	3,102
Recognised in the statement of comprehensive income	80	(51)	3,692	(1,250)	3,772	(1,301)
At 31 December	153	73	5,420	1,728	5,573	1,801

22 DEFERRED TAXATION (Continued)

Deferred taxation liabilities

Group

	Accelerated tax depreciation		Fair value		Total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
At 1 January, as previously reported	(339)	(256)	(1,937)	(1,083)	(2,276)	(1,339)
Change in accounting policy – adoption of HKAS12 amendment (note 2(b))	–	–	1,937	1,083	1,937	1,083
At 1 January, as restated	(339)	(256)	–	–	(339)	(256)
Recognised in the statement of comprehensive income	(349)	(83)	–	–	(349)	(83)
At 31 December	(688)	(339)	–	–	(688)	(339)

Deferred taxation assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred taxation assets of HK$1,687,000 (2011: HK$2,165,000) in respect of losses amounting to HK$8,838,000 (2011: HK$11,087,000) as at 31 December 2012. These tax losses can be carried forward against future taxable income. Tax losses amounting to HK$2,697,000 (2011: HK$3,952,000) will expire from 2013 to 2017 (2011: from 2012 to 2016).

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

	Group	
	2012 HK$'000	2011 HK$'000 (Restated)
Deferred taxation assets – Recoverable more than twelve months	5,371	1,801
Deferred taxation liabilities – Payable or settle after more than twelve months	(486)	(339)

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade receivables	464,510	135,829	–	–
Less: Impairment	(17,518)	(15,312)	–	–
Trade receivables, net	446,992	120,517	–	–
Other receivables, prepayments and deposits	15,875	9,887	1,056	636
	462,867	130,404	1,056	636

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

	Group	
	2012 HK$'000	2011 HK$'000
Not yet due	409,554	102,793
Less than 30 days	26,205	7,195
31 to 60 days	4,835	5,624
61 to 90 days	1,489	2,646
91 to 180 days	3,199	1,487
Over 180 days	1,710	772
	446,992	120,517

Trade receivables of HK$37,438,000 (2011: HK$17,724,000) are past due but not impaired. Such receivables are past due less than six months or subsequently settled after the year end.

23 TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables of HK$17,518,000 (2011: HK$15,312,000) are mainly past due more than six months, impaired and fully provided. The ageing analysis of such receivables is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Less than 6 months	319	163
6 to 12 months	4,129	10,186
Over 12 months	13,070	4,963
	17,518	15,312

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

	Group	
	2012 HK$'000	2011 HK$'000
At 1 January	15,312	7,458
Provision for impairment	42,693	19,726
Write-off of uncollectible debts	(39,762)	(10,588)
Unused amounts reversed	(725)	(1,284)
At 31 December	17,518	15,312

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

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

24 CASH AND BANK BALANCES

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Cash at bank and in hand	206,051	221,991	66	67
Short term bank deposits	282,000	184,822	–	–
Cash and cash equivalents	488,051	406,813	66	67

25 SHARE CAPITAL AND PREMIUM

(a) Share capital and premium

	Number of issued shares (HK$0.01 each)	Nominal value HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2011, 31 December 2011 and 1 January 2012	8,300,000,000	83,000	85,816	168,816
Increase in shares upon conversion of convertible notes (Note ii)	5,400,000,000	54,000	463,352	517,352
At 31 December 2012	13,700,000,000	137,000	549,168	686,168

Notes:

(i) The total authorised number of ordinary shares is 50 billion shares (2011: 50 billion shares) with a nominal value of HK$0.01 per share (2011: HK$0.01 per share). All issued shares are fully paid.

(ii) On 6 June 2012, the convertible notes of HK$540,000,000 with a conversion price of HK$0.10 per share were fully converted into fully paid ordinary shares upon maturity. Exercise in full of such convertible notes resulted in the issue of 5,400,000,000 additional shares of HK$0.01 each.

(b) Share options

On 19 September 2008, the Company adopted a share option scheme (the "Scheme") by its shareholders at an extraordinary general meeting. Under the Scheme, the Company may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of the Company and its subsidiaries, or any other eligible persons, who, as determined by the directors of the Company defined in note 1 (the "Directors"), have contributed or will contribute to the growth and development of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company at the adoption date, excluding for this purpose shares issued on the exercise of options. The exercise price will be determined by the Directors, and will not be less than the highest of: (i) the nominal value of the shares of the Company; (ii) the average closing price of the shares of the Company quoted on the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the options; and (iii) the closing price of the shares quoted on the Stock Exchange's daily quotations sheet on the date of offer of the options, which must be a business day as defined in the Rules Governing the Listing of Securities on the Stock Exchange. The Scheme will remain in force for a period of ten years commencing from 19 September 2008.

25 SHARE CAPITAL AND PREMIUM (Continued)

(b) Share options (Continued)

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

	2012		2011	
	Average exercise price per option HK$	Number of options	Average exercise price per option HK$	Number of options
At the beginning of the year	0.053	20,000,000	–	–
Granted	–	–	0.053	20,000,000
Lapsed	–	–	–	–
At the end of the year	0.053	20,000,000	0.053	20,000,000

Details of share options granted during 2011 are as follows:

Exercisable period	Exercise price per option HK$	Number of options
1 October 2011 to 30 September 2016	0.053	20,000,000

No share options had been granted or exercised during the year.

The fair value of share options granted during 2011 determined using the Trinomial Model is HK$562,000. The valuation was carried out on a fair value basis.

The inputs into the model and the estimated fair value of the share options are as follows:

Exercise price	HK$0.053
Share price on date of grant	HK$0.053
Option life	5 years
Expected dividend yield	0%
Risk free rate	0.761%
Expected volatility	74.365%
Exercise multiple	2.80X
Fair value per share option	HK$0.028

The Company recognised an expense of HK$562,000 for the year ended 31 December 2011 in relation to share options granted under the Scheme. No share options had been exercised during 2011.

All of the 20,000,000 outstanding options were exercisable as at 31 December 2012 and 2011.

The options outstanding as at 31 December 2012 had an exercise price of HK$0.053 (2011: HK$0.053) and a weighted average remaining contractual life of 3.75 years (2011: 4.75 years).

26 RESERVES

Group

	Merger reserve HK$'000	Capital reserve HK$'000	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Employee benefits reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2011, as previously reported	(559,073)	14,918	517,352	127	–	230,727	204,051
Change in accounting policy – adoption of HKAS12 amendment (note 2(b))	–	–	–	–	–	1,083	1,083
At 1 January 2011, as restated	(559,073)	14,918	517,352	127	–	231,810	205,134
Profit for the year, as restated	–	–	–	–	–	91,343	91,343
Currency translation differences	–	–	–	(137)	–	–	(137)
Share-based benefits (note 25(b))	–	–	–	–	562	–	562
At 31 December 2011, as restated	(559,073)	14,918	517,352	(10)	562	323,153	296,902
At 1 January 2012, as previously reported	(559,073)	14,918	517,352	(10)	562	321,216	294,965
Change in accounting policy – adoption of HKAS12 amendment (note 2(b))	–	–	–	–	–	1,937	1,937
At 1 January 2012, as restated	(559,073)	14,918	517,352	(10)	562	323,153	296,902
Profit for the year	–	–	–	–	–	175,822	175,822
Conversion of HK$540 million convertible notes	–	–	(517,352)	–	–	–	(517,352)
Currency translation differences	–	–	–	(18)	–	–	(18)
At 31 December 2012	(559,073)	14,918	–	(28)	562	498,975	(44,646)

Company

	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Employee benefits reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	2,509	517,352	–	(64,344)	455,517
Profit for the year	–	–	–	322	322
Share-based benefits	–	–	562	–	562
At 31 December 2011	2,509	517,352	562	(64,022)	456,401
Loss for the year	–	–	–	(14,863)	(14,863)
Conversion of HK$540 million convertible notes	–	(517,352)	–	–	(517,352)
At 31 December 2012	2,509	–	562	(78,885)	(75,814)

26 RESERVES (Continued)

Company (Continued)

Notes:

(a) Merger reserve represents the difference between the net asset value of subsidiaries acquired and the consideration paid to Midland Holdings, ultimate holding company of the Company, totalling HK$640,000,000 pursuant to the group reorganisation on 6 June 2007.

(b) Capital reserve represents the difference between the nominal value of the ordinary share issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation on 28 February 2001.

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

27 CONVERTIBLE NOTES

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

On 6 June 2012, the convertible notes of HK$540,000,000 with a conversion price of HK$0.10 per share were fully converted into fully paid ordinary shares upon maturity. Exercise in full of such convertible notes resulted in the issue of 5,400,000,000 additional shares of HK$0.01 each.

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Commissions payable	303,647	73,234	–	–
Other payables and accruals	42,590	33,213	864	1,159
	346,237	106,447	864	1,159

Commissions payable to property consultants and co-operative estate agents are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK$32,152,000 (2011: HK$15,029,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

29 BANK LOAN

	Group	
	2012 HK$'000	2011 HK$'000
Bank loan	10,926	11,800

As at 31 December 2012, the Group's bank loan is repayable as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Within 1 year	893	871
After 1 year but within 2 years	910	889
After 2 years but within 5 years	2,838	2,775
Over 5 years	6,285	7,265
	10,926	11,800

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 bank loan is wholly repayable over 5 years.

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

The effective interest rate of bank loan is 1.93% (2011: 1.98%). The carrying amount and fair value of the bank loan are as follows:

	Carrying amount		Fair value	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Bank loan	10,926	11,800	10,926	11,800

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 1.93% (2011: 1.98%).

The Group has the following undrawn borrowing facilities:

	2012 HK$'000	2011 HK$'000
Floating rates		
Expiring within one year	15,500	15,500

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2012 HK$'000	2011 HK$'000
Operating profit	201,933	105,771
Impairment of receivables	41,968	18,442
Depreciation	4,028	3,437
Fair value gain on investment properties	(12,030)	(5,175)
Gain on disposal of subsidiaries	–	(785)
Loss on disposal of property, plant and equipment	282	331
Unrealised (gain)/loss on financial assets at fair value through profit or loss	(25)	33
Share-based benefits	–	562
Operating profit before working capital changes	236,156	122,616
(Increase)/decrease in trade and other receivables	(374,431)	53,740
Increase/(decrease) in trade and other payables	239,772	(55,311)
Net cash generated from operations	101,497	121,045

(b) Disposal of subsidiaries

	2012 HK$'000	2011 HK$'000
Net assets disposed:		
Property, plant and equipment	–	866
Trade and other receivables	–	3,165
Trade and other payables	–	(2,741)
Cash and bank balances	–	865
	–	2,155
Gain on disposal of subsidiaries	–	785
Total consideration	–	2,940
Net cash inflow from disposal of subsidiaries:		
Cash consideration	–	2,940
Cash and bank balances disposed	–	(865)
	–	2,075

31 CONTINGENT LIABILITIES

As at 31 December 2012, the Company executed corporate guarantees amounting to HK$29,780,000 (2011: HK$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2012, HK$10,926,000 of the banking facilities were utilised by a subsidiary (2011: HK$11,800,000).

32 FUTURE LEASE RENTAL RECEIVABLE

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

	Group	
	2012 HK$'000	2011 HK$'000
Within one year	1,807	333
Between one year and five years	387	6
	2,194	339

33 COMMITMENTS

(a) Capital commitments

The Group and the Company did not have any significant capital commitments as at 31 December 2012 and 2011.

(b) Operating lease commitments

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

	Group	
	2012 HK$'000	2011 HK$'000
Within one year	25,201	12,597
After one year but within five years	12,998	5,617
	38,199	18,214

The Company did not have any significant operating lease commitments as at 31 December 2012 and 2011.

34 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	2012 HK$'000	2011 HK$'000
Agency fee income from fellow subsidiaries	(i)	42,313	13,634
Agency fee income from related companies	(ii)	3,120	4,068
Rental income in respect of office premise from a fellow subsidiary	(iii)	1,707	1,368
Rebate incentives to fellow subsidiaries	(iv)	59,912	26,608
Operating lease rental expense to related companies	(v)	1,796	1,459

Notes:

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

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

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

(iv) Rebate incentives to fellow subsidiaries represents commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.

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

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

	2012 HK$'000	2011 HK$'000
Amounts due from fellow subsidiaries	27,947	9,003
Amounts due from related companies	3,040	–
Amounts due to fellow subsidiaries	(51,049)	(10,084)

(c) Key management compensation

	2012 HK$'000	2011 HK$'000
Fees, salaries, allowances and incentives	20,213	11,589
Retirement benefit costs	43	25
	20,256	11,614

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

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held (%) 2012	Interest held (%) 2011
Ketanfall Group Limited (note)	British Virgin Islands	14 shares of US$1 each	Investment holding in Hong Kong	100	100
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares of HK$1 each	Property agency in Hong Kong	100	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares of HK$1 each	Property agency in Hong Kong	100	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares of HK$1 each	Property agency in Hong Kong	100	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares of HK$1 each	Property agency in Hong Kong	100	100
Hong Kong Property (Comm.) Limited	Hong Kong	1 share of HK$1	Property agency in Hong Kong	100	–
Teamway Group Limited	British Virgin Islands	1 share of US$1	Property investment in Hong Kong	100	100
Unicorp Investment Limited	Hong Kong	1 share of HK$1	Securities investment in Hong Kong	100	100
Gainwell Group Limited (note)	British Virgin Islands	1 share of US$1	Investment holding in Hong Kong	100	100
Value Media International Limited	British Virgin Islands	100 shares of US$1 each	Investment holding in Hong Kong	100	100
Leader Concord Limited	Hong Kong	2 shares of HK$1 each	Investment holding in Hong Kong	100	100

Note: The subsidiaries are directly held by the Company.

List of Investment Properties

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

Five-Year Financial Summary

	Year ended 31 December				
	2012 HK$'000	2011 HK$'000 (Restated)	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)	2008 HK$'000
For the year					
Revenues	814,368	457,104	534,650	382,322	257,598
Profit before taxation	206,866	108,065	143,570	92,625	2,645
Profit/(loss) attributable to equity holders of the Company	175,822	91,343	121,095	77,458	(607)
Cashflows					
Net cash inflow from operating activities	87,500	97,926	93,445	67,841	42,121
At year end					
Total assets	1,018,289	586,931	564,976	407,439	245,138
Total liabilities	376,767	121,213	191,026	154,537	69,710
Non-controlling interest	–	–	–	–	–
Total equity	641,522	465,718	373,950	252,902	175,428
Cash and bank balances	488,051	406,813	316,002	230,478	180,374
Per share data					
Earnings per share-basic (HK cents)	1.283	0.669	0.888	0.571	0.003

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