



Midland Holdings Limited

▶ Incorporated in Bermuda with limited liability ◀
(Stock Code 股份代號 : 1200)



Moving Up with Time

Interim Report 2011



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Corporate Information

DIRECTORS

Executive Directors

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

Ms. TANG Mei Lai, Metty

Mr. WONG Kam Hong

(Deputy Chairman and Managing Director)

Ms. WONG Ching Yi, Angela

(Deputy Chairman and Deputy Managing Director)

Mr. CHAN Kwan Hing

Ms. IP Kit Yee, Kitty

Mr. CHEUNG Kam Shing (*Appointed on 28 March 2011*)

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

REMUNERATION COMMITTEE

Mr. WONG Kin Yip, Freddie

Ms. IP Kit Yee, Kitty

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

NOMINATION COMMITTEE

Mr. WONG Kin Yip, Freddie

Ms. WONG Ching Yi, Angela

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

COMPANY SECRETARY

Mr. MOK Ka Fai (*Appointed on 26 May 2011*)

Ms. AU YEUNG Pui Shan, Karen (*Resigned on 26 May 2011*)

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela

Mr. MOK Ka Fai (*Appointed on 26 May 2011*)

Ms. AU YEUNG Pui Shan, Karen (*Resigned on 26 May 2011*)

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Corporate Information (continued)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISERS

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

BERMUDA LEGAL ADVISERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 4th Floor
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.midland.com.hk

STOCK CODE

1200

The board of directors (the "Board") of Midland Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 (the "Interim Period") together with the comparative figures for the corresponding period in 2010.

Management Discussion and Analysis

Business Review

For the six months ended 30 June 2011, revenue for the Group increased by 11% to HK\$1,943,572,000 as compared with the corresponding period last year while the profit for the period decreased by 14% to HK\$218,786,000. As the relevant documents of sale and purchase transactions are generally submitted to the Land Registry for registration several weeks after completion, the activities in the residential property market during the period could be largely reflected by the transaction amount in respect of residential properties registered in the Land Registry for the period from February to July this year. Information from the Land Registry showed that during the said period, the transaction amount was comparable to the corresponding period last year. The above figures showed that despite intensifying competition, the Group continued to uphold its competitive edge and outperformed the market. However, in view of greater inflationary pressure, rising operating costs and the business operations of the Group in China being hit by macro-economic policies during the first half of the year, profit for the Group fell. Nevertheless, the overall profit margin still maintained at above 11%.

Government policies gradually take effect

Although the transaction volume of local residential properties was less than the corresponding period last year, property prices continued to rise and approximately 12% increase was recorded for the first half of the year. The transaction amount of local residential properties still recorded a growth. According to Midland Property Price Chart, after a sharp increase of approximately 10% in the first quarter, the average price of 100 popular small and medium sized private residential estates in Hong Kong in the second quarter became relatively stable and rose by approximately 2%.

The property market in Hong Kong once exhibited signs of "irrational exuberance" during the first quarter. However, following a series of crises in Japan in March which triggered adjustment in the global stock market, raising interest rate of the HIBOR-based products by the banks in that month and the series of measures introduced by the government earlier beginning to take effect, the Hong Kong residential property market apparently became more rational in the second quarter. As a result, the transaction volume dropped.

In addition, the market sentiment of the property market was also affected by the volatility in the stock market. In the second quarter, the performance of Hong Kong stocks appeared considerably volatile in view of the macro-economic policies, euro zone debt crisis and the issue concerning the U.S. debt level. The desire to purchase properties was more or less affected thereby. Furthermore, the active monitoring of the economy in China by the Central Government to avoid overheating also resulted in no sign of improvement in the sale and purchase of second-hand properties in a number of cities in China in the first half of the year.

Management Discussion and Analysis (continued)

Business Review (continued)

Steady expansion and Upholding competitive edge

In light of fierce competition, the Group expanded its local business network steadily during the first half of the year. The Group believes that a moderate increase in branch network could assist its local business to further strengthen its market position. On the other hand, data showed that after a sharp rise in the number of shops holding licences granted by the Estates Agents Authority last year, the growth in such shops had apparently slowed down and it might be due to the effect of the Special Stamp Duty introduced by the government last year on the small and medium sized estate agencies. However, it is noteworthy that the number of shops and persons holding licences granted by the Estate Agents Authority reached a new high in June which reflected intensifying competition. During the first half of the year, the operating results of the Group's business in China showed no improvement. The management team of the China division was further strengthened during the period. Following the appointment of Mr. CHEUNG Kam Shing as the executive director, the "staying focus strategy" would be further strengthened to raise the operation efficiency of the Group's business in China.

Leading advantage with Professional status

In the first half of the year, the Group continued to promote the concept of "Understand First Then Invest". Our professional property market analysis provided the general public with independent and forward-looking perspectives of the property market, assisted customers and potential customers to understand the market trends before entering into property transactions and further strengthened the Group's professional image. In addition, Midland Realty was recognised by certain developers as the top agents in the sale of various first-hand residential properties such as i.UniQ Grand, 18 Upper East, One Regent Place, Festival City, Avignon and The Balmoral.

Outlook

The economic performance of Europe and U.S. will continue to disturb the global economy. Whether the euro zone debt crisis will be completely resolved remains unknown despite the fact that such crisis has been alleviated temporarily. In addition, in view of the U.S. substantial national debt problem, the pace of its economic recovery will be slow. The downgrading of the sovereign credit rating of U.S. has caused market volatility. However, the economic growth in China remains robust and the Group believes that this will support the long-term economic development of Hong Kong. Moreover, the Central Government continues to support the economic development of Hong Kong. During the official visit of Vice Premier Li Keqiang to Hong Kong in mid-August, he announced new policies and measures in support of Hong Kong's standing as an international financial center. The U.S. Federal Reserve has stated that it would maintain lower interest rates until mid-2013, which is also expected to support the property market.

Healthy development in property market and Expecting lower policy risk

Indeed, the fundamentals of the Hong Kong economy are sound. For example, the unemployment rate in June hovered near the lowest level since the financial tsunami, and the income of private domestic properties households reached a new high in the first quarter. The transaction volume declined in the first half of the year was attributable to the series of measures introduced by the government to stabilize the property market, and property prices rose to near historical high. In fact, the Chief Executive stated at a session of the Legislative Council in July that the government should not be "too hard" on the property market, and the principle of government policy should be for the healthy and steady development of the property market. Looking ahead, the Group expects that the medium to long-term growth in property prices would be moderate.

Management Discussion and Analysis (continued)

Outlook (continued)

Progressing with times and Meeting challenges

For the second half of the year, the operating and business environment continues to be challenging. As previously mentioned, the uncertainties in the future of the economy of Europe and U.S. have contributed to the unpredictability in the global financial market direction. However, the future of Hong Kong's economy does not appear to have serious problems, and the salary increment in different industries this year is believed to be remarkable and thus will result in income improvement of the general public. On the other hand, if the economy continues to improve, it is expected that upward pressure on operating costs will follow. The rise in local loan-to-deposit ratios caused banks to adjust the HIBOR-based mortgage rate to a normal level. Following the announcement of U.S. Federal Reserve to maintain a low interest rate policy over the next two years, the Group believes that the interest rate of Hong Kong will remain at a low level, and the increase in HIBOR-based mortgage rate will not exert too much pressure on purchasers. Therefore, the Group is of the view that if the government reduces its intervention and the global financial market becomes stabilised, the property market can be expected to develop steadily. Policy risk continues to exist although such risk might lower. In addition, the crisis in the European and U.S. economy has not yet been resolved, uncertainties will continue to affect the market development. However, as always the Group will progress with times and meet challenges at our optimum conditions. The concept of "Understand First Then Invest" advocated by the Group through the organisation of public seminars and production of DVD on property market and related topics has earned more and more recognition from the general public. The Group is gradually reaping the fruits from the market and its leading position in the industry has also been strengthened. The Group is devoted to brand building which has helped lifted the staff morale and has had a positive impact on our market share.

Financial Review

Liquidity, Financial Resources and Funding

As at 30 June 2011, the Group had cash and bank balances of HK\$1,499,123,000 (as at 31 December 2010: HK\$1,601,926,000), whilst bank loans amounted to HK\$12,233,000 (as at 31 December 2010: HK\$12,663,000). The Group's bank loans were secured by certain land and buildings held by the Group of HK\$27,070,000 (as at 31 December 2010: HK\$27,441,000) and with maturity profile set out as follows:

Repayable	As at	As at
	30 June 2011 HK\$'000	31 December 2010 HK\$'000
Within 1 year	868	853
After 1 year but within 2 years	886	870
After 2 years but within 5 years	2,762	2,716
Over 5 years	7,717	8,224
	<u>12,233</u>	<u>12,663</u>

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

Management Discussion and Analysis (continued)

Financial Review (continued)

Liquidity, Financial Resources and Funding (continued)

As at 30 June 2011, the Group had unutilised banking facilities amounting to HK\$186,835,000 (as at 31 December 2010: HK\$188,156,000) from various banks. The Group's cash and bank balances are deposited in Hong Kong Dollars, United States Dollars, Renminbi and Macau Pataca, and the Group's bank loans are in Hong Kong Dollars. No currency hedging tool is used. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 30 June 2011, the gearing ratio of the Group was 0.66% (as at 31 December 2010: 0.67%). The gearing ratio is calculated on the basis of total bank loans 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 2.0 (as at 31 December 2010: 2.2).

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

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

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

Contingent Liabilities

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

Employee Information

As at 30 June 2011, the Group employed 8,201 full time employees of which 7,100 were sales agents, 596 were back office supportive employees and 505 were frontline supportive employees.

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

Other Information

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interests and short positions of each of the Directors and chief executives 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")) which were required (i) to be recorded in the register required to be kept under section 352 of the SFO; or (ii) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Directors	Number of Ordinary Shares			Number of underlying shares	Total	Approximate percentage of interests
	Personal interests	Corporate interests	Family interests			
Mr. WONG Kin Yip, Freddie	31,074,000	5,494,144 (Note 1)	–	–	36,568,144	5.07%
Ms. TANG Mei Lai, Metty	–	–	36,568,144 (Note 2)	–	36,568,144	5.07%
Ms. WONG Ching Yi, Angela	–	–	–	3,654,487 (Note 3)	3,654,487	0.51%

Notes:

1. These shares are held by Sunluck Services Limited. Mr. WONG Kin Yip, Freddie indirectly owns 100% interests in Sunluck Services Limited through his wholly-owned company, namely Southern Field Trading Limited.
2. These shares represent the shares held directly or indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as beneficial owner in the shares of the Company.
3. These underlying shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options granted to her on 22 October 2007. All the outstanding share options granted to Ms. WONG Ching Yi, Angela lapsed as at the date of this Interim Report.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 30 June 2011, neither the Directors nor the chief executives of the Company had or was deemed to have any interests or short position 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).

Other Information (continued)

Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interests and short positions of the shareholders, other than a Director or chief executive of the Company, in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholders	Number of Ordinary Shares	Holding capacity	Approximate percentage of shareholding
Marathon Asset Management LLP	83,757,000 (L)	Investment manager	11.62%
JP Morgan Chase & Co.	6,000 (L) 8,046,000 (L) 64,042,253 (P)	Beneficial owner Investment manager Approved lending agent	0.00% 1.12% 8.88%
Elaine Morrison	48,926,000 (L) (Note)	Interest in controlled corporation	6.79%
Anthony Tait	48,926,000 (L) (Note)	Interest in controlled corporation	6.79%
Baillie Gifford & Co	21,704,000 (L) 22,438,000 (L) (Note)	Investment manager Interest in controlled corporation	3.01% 3.11%
Alex Callander	44,142,000 (L) (Note)	Interest in controlled corporation	6.12%
Charles Plowden	44,142,000 (L) (Note)	Interest in controlled corporation	6.12%
Andrew Telfer	44,142,000 (L) (Note)	Interest in controlled corporation	6.12%
Alison Warden	44,142,000 (L) (Note)	Interest in controlled corporation	6.12%
Third Avenue Management LLC, on behalf of numerous portfolios	42,420,000 (L)	Investment manager	5.88%
UBS AG	7,111,844 (L) 8,196,000 (L) 24,770,000 (L) 4,035,548 (S) 24,272,000 (S)	Beneficial owner Security interest Interest in controlled corporation Beneficial owner Interest in controlled corporation	0.99% 1.14% 3.44% 0.56% 3.37%

Remark: (L) – Long Position, (S) – Short Position, (P) – Lending Pool

Note:

These shares represent the same block of shares. Baillie Gifford & Co was controlled by Elaine Morrison, Anthony Tait, Charles Plowden, Alex Callander, Alison Warden and Andrew Telfer who were deemed to be interested in the same parcel of shares in which Baillie Gifford & Co was interested.

The Company was notified by Baillie Gifford & Co and certain of its shareholders, namely, Charles Plowden, Alex Callander, Alison Warden and Andrew Telfer (collectively, "Baillie and its associates") that they were interested or deemed to be interested in 44,142,000 shares on 10 December 2009. However, the latest disclosure forms of Elaine Morrison and Anthony Tait filed on 1 May 2011 indicate that the interest of Baillie and its associates should have been increased to 48,926,000 shares although they may not be under a duty to notify the Company of the change under the SFO.

Other Information (continued)

Share Option Schemes

I. Share Option Scheme of the Company

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 30 April 2002, the Company adopted the 2002 share option scheme (the "Share Option Scheme").

Details of the movement of share options granted under the Share Option Scheme during the Interim Period are as follows:

Name of Director	Date of grant	Exercise price HK\$	Number of share options				Balance outstanding as at 30 June 2011	Exercisable period
			Balance	Granted	Cancelled/ lapsed	Exercised		
			outstanding as at 1 January 2011	during the Interim Period	during the Interim Period	during the Interim Period		
Ms. WONG Ching Yi, Angela	22 October 2007	7.858	3,654,487	-	(3,654,487)	-	-	1 February 2008 to 31 January 2011
	22 October 2007	7.858	3,654,487	-	-	-	3,654,487 (Note)	1 August 2008 to 31 July 2011
Total			<u>7,308,974</u>	<u>-</u>	<u>(3,654,487)</u>	<u>-</u>	<u>3,654,487</u>	

Note:

Share options to subscribe for 3,654,487 ordinary shares lapsed as at the date of this interim report following the expiry of the options.

Save as disclosed above, no share option had been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Interim Period.

II. Share Option Scheme of Midland IC&I Limited

At the extraordinary general meeting of Midland IC&I Limited ("Midland IC&I") held on 19 September 2008, a share option scheme of Midland IC&I was adopted. As at 30 June 2011, there are no share option outstanding.

During the Interim Period, no share option had been granted, exercised, cancelled or lapsed under the share option scheme of Midland IC&I.

Other Information (continued)

Directors' Rights to Acquire Shares or Debentures

Save as disclosed herein, at no time during the Interim Period 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.

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

During the Interim Period, the Company purchased 3,314,000 ordinary shares of HK\$0.10 each in the capital of the Company at prices ranging from HK\$4.32 to HK\$5.41 per share on the Stock Exchange. Details of repurchases are summarised as follows:

Month of repurchases	Number of ordinary shares repurchased	Purchase price per share		Aggregate Consideration paid (excluding expenses) HK\$
		Highest HK\$	Lowest HK\$	
May 2011	2,918,000	5.41	5.16	15,494,140
June 2011	396,000	5.20	4.32	1,955,840
	<u>3,314,000</u>			<u>17,449,980</u>

Including expenses paid of approximately HK\$68,000, the aggregate consideration paid for these repurchased shares was approximately HK\$17,518,000.

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was diminished by the nominal value thereof.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.2233 (2010: HK\$0.2680) per ordinary share for the Interim Period.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 15 September 2011 to Friday, 16 September 2011, both days inclusive, during which period no transfer of shares will be effected.

Other Information (continued)

Closure of Register of Members (continued)

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 14 September 2011. Dividend warrants will be despatched on or around Friday, 23 September 2011.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Changes in Directors' Information

Changes in the information of Directors of the Company since the disclosure made in the 2010 annual report of the Company, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr. WONG Kin Yip, Freddie ("Mr. Wong") resigned as Managing Director of the Company in August 2011 and remains as the Chairman and an executive director of the Company. The percentage applied on the profit arising from the Group in the relevant financial year for calculating the annual bonus of Mr. Wong has been adjusted downwards.
2. Ms. TANG Mei Lai, Metty ("Ms. Tang") resigned as Deputy Chairman of the Company in March 2011. Ms. Tang's monthly basic salary payable by Midland IC&I has been revised from HK\$230,170 to HK\$241,900.
3. Mr. WONG Kam Hong was appointed as Deputy Chairman of the Company in March 2011 and was appointed as Managing Director of the Company in August 2011. Mr. WONG Kam Hong's monthly basic salary has been revised from HK\$1,013,110 to HK\$1,113,110 and a year-end bonus to be calculated with reference to the profits recorded by the Group in the relevant financial year has been awarded to him.
4. Ms. WONG Ching Yi, Angela ("Ms. Wong") was appointed as Deputy Chairman of the Company in March 2011 and was appointed as Deputy Managing Director of the Company in August 2011. Ms. Wong's monthly basic salary has been revised from HK\$96,980 to HK\$133,830. The percentage applied on the profit arising from the Group in the relevant financial year for calculating Ms. Wong's year-end bonus has been adjusted upwards.
5. Ms. IP Kit Yee, Kitty's monthly basic salary has been revised from HK\$170,140 to HK\$178,810.

Other Information (continued)

Code on Corporate Governance Practices

The Company has complied with the requirements of all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the Interim Period, except that the roles of the chairman and the chief executive officer of the Company were not segregated under code provision A.2.1 of the CG Code. Subsequent to the resignation of Mr. Wong as Managing Director and the appointment of Mr. WONG Kam Hong as Managing Director of the Company with effect from 25 August 2011, the roles of chairman and managing director have been segregated.

Mr. Wong is the Chairman of the Company and is also the founder of the Group. Mr. Wong oversees the overall corporate directions and corporate strategies of the Group and also guides the management team.

Mr. WONG Kam Hong is the Managing Director and Ms. Wong is the Deputy Managing Director of the Company. The Managing Director of the Company carries out the function of chief executive officer of the Company and is responsible for formulating the corporate and business strategies and development, and the implementation of strategies and policies to achieving the overall objectives of the Group. The Managing Director shall report directly to the Board. The senior executives of the respective strategic business units of the Group are responsible for performing and overseeing the business operation of the respective business units.

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.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the Interim Period.

Appreciation

I would like to take this opportunity, on behalf of the Board, to express our sincere gratitude to our customers and shareholders for their continuous support, and to the entire management and all staff for their hard work and dedication.

On behalf of the Board
WONG Kin Yip, Freddie
Chairman

Hong Kong, 25 August 2011

Condensed Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Note	Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
Revenues	3	1,943,572	1,757,789
Other income	4	3,863	8,745
Staff costs		(1,122,371)	(988,974)
Rebate incentives		(140,597)	(102,951)
Advertising and promotion expenses		(57,634)	(59,030)
Operating lease charges in respect of office and shop premises		(186,140)	(140,154)
Impairment of receivables		(50,095)	(44,507)
Depreciation and amortisation costs		(21,467)	(16,143)
Other operating costs		(118,633)	(119,589)
Operating profit	5	250,498	295,186
Finance income		4,244	1,458
Finance costs		(115)	(348)
Share of results of			
Jointly controlled entities		13,947	11,396
An associated company		(152)	312
Profit before taxation		268,422	308,004
Taxation	6	(49,636)	(52,376)
Profit for the period		218,786	255,628
Profit for the period attributable to:			
Equity holders		201,502	243,859
Non-controlling interests		17,284	11,769
		218,786	255,628
Dividends	7	160,981	194,094
Earnings per share	8	HK cents	HK cents
Basic		27.84	33.67
Diluted		27.84	33.67

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Profit for the period	218,786	255,628
Other comprehensive income		
Currency translation differences	(2,425)	2,247
Change in fair value of land and buildings upon transfer of properties to investment properties	–	6,652
Change in fair value of available-for-sale financial assets	715	(309)
	(1,710)	8,590
Total comprehensive income for the period	217,076	264,218
Total comprehensive income for the period attributable to:		
Equity holders	199,792	252,449
Non-controlling interests	17,284	11,769
	217,076	264,218

Condensed Consolidated Balance Sheet (Unaudited)

AS AT 30 JUNE 2011

	Note	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	170,651	162,416
Land use right	9	–	–
Investment properties	9	78,840	76,095
Interests in jointly controlled entities		55,442	58,295
Interests in an associated company		618	1,270
Available-for-sale financial assets		16,419	13,927
Deferred taxation assets		9,246	19,141
		<u>331,216</u>	<u>331,144</u>
Current assets			
Trade and other receivables	10	1,508,467	1,258,827
Financial assets at fair value through profit or loss		167	163
Cash and bank balances		1,499,123	1,601,926
		<u>3,007,757</u>	<u>2,860,916</u>
Total assets		<u>3,338,973</u>	<u>3,192,060</u>

Condensed Consolidated Balance Sheet (Unaudited) (continued)

AS AT 30 JUNE 2011

	Note	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital	11	72,092	72,423
Share premium		230,297	247,484
Reserves		1,258,172	1,219,361
Proposed dividend		160,981	232,333
		<u>1,721,542</u>	<u>1,771,601</u>
Non-controlling interests		<u>127,760</u>	<u>110,476</u>
Total equity		<u>1,849,302</u>	<u>1,882,077</u>
Non-current liabilities			
Deferred taxation liabilities		<u>2,145</u>	<u>1,801</u>
Current liabilities			
Trade and other payables	12	1,419,806	1,256,857
Bank loans	13	12,233	12,663
Amount due to an associated company		–	500
Taxation payable		55,487	38,162
		<u>1,487,526</u>	<u>1,308,182</u>
Total liabilities		<u>1,489,671</u>	<u>1,309,983</u>
Total equity and liabilities		<u>3,338,973</u>	<u>3,192,060</u>
Net current assets		<u>1,520,231</u>	<u>1,552,734</u>
Total assets less current liabilities		<u>1,851,447</u>	<u>1,883,878</u>

Condensed Consolidated Cash Flow Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Net cash from operating activities	174,075	418,528
Net cash (used in)/from investing activities	(27,087)	18,894
Net cash used in financing activities		
– Dividends paid to equity holders	(232,333)	(317,213)
– Others	(17,948)	(9,406)
Net (decrease)/increase in cash and cash equivalents	(103,293)	110,803
Cash and cash equivalents at 1 January	1,601,926	1,477,419
Effect of foreign exchange rate changes	490	2,410
Cash and cash equivalents at 30 June	1,499,123	1,590,632

Condensed Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Equity holders HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
At 1 January 2010	72,423	247,484	1,419,059	1,738,966	75,321	1,814,287
Comprehensive income						
Profit for the period	–	–	243,859	243,859	11,769	255,628
Other comprehensive income						
Currency translation differences	–	–	2,247	2,247	–	2,247
Change in fair value of land and buildings upon transfer of properties to investment properties	–	–	6,652	6,652	–	6,652
Change in fair value of available-for-sale financial assets	–	–	(309)	(309)	–	(309)
Total comprehensive income	–	–	252,449	252,449	11,769	264,218
Transaction with owners						
2009 final dividend paid	–	–	(317,213)	(317,213)	–	(317,213)
At 30 June 2010	72,423	247,484	1,354,295	1,674,202	87,090	1,761,292
At 1 January 2011	72,423	247,484	1,451,694	1,771,601	110,476	1,882,077
Comprehensive income						
Profit for the period	–	–	201,502	201,502	17,284	218,786
Other comprehensive income						
Currency translation differences	–	–	(2,425)	(2,425)	–	(2,425)
Change in fair value of available-for-sale financial assets	–	–	715	715	–	715
Total comprehensive income	–	–	199,792	199,792	17,284	217,076
Transaction with owners						
Repurchase of own shares	(331)	(17,187)	–	(17,518)	–	(17,518)
2010 final dividend and “創業38 周年” special cash bonus paid	–	–	(232,333)	(232,333)	–	(232,333)
At 30 June 2011	72,092	230,297	1,419,153	1,721,542	127,760	1,849,302

Notes to the Interim Financial Information (Unaudited)

1 General Information

The Company is a limited liability company incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal office in Hong Kong is Rooms 2505 – 2508, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group are provision of property agency services in Hong Kong, the People's Republic of China (the "PRC") and Macau.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the Board on 25 August 2011.

2 Basis of Preparation and Significant Accounting Policies

The condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared under the historical cost convention as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2010 except that the Group has adopted the following revised standards and amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31 December 2011.

(a) Revised standards and amendments to standards effective in 2011

HKAS 24 (Revised)	Related Party Disclosures
HKAS 34 Amendment	Interim Financial Reporting

Notes to the Interim Financial Information (Unaudited) (continued)

2 Basis of Preparation and Significant Accounting Policies (continued)

(a) Revised standards and amendments to standards effective in 2011 (continued)

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

Amendment to HKAS 34 "Interim Financial Reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The adoption of the above amendment to standard did not result in any additional disclosure in this condensed consolidated interim financial information.

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

The HKICPA has issued a number of new and revised standards, interpretations and amendments to standards which are not effective for accounting period beginning on 1 January 2011. The Group has not early adopted these new and revised standards, interpretations and amendments to standards.

3 Revenues and Segment Information

(a) Revenues

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Turnover		
Agency fee	1,918,587	1,723,527
Rental from investment properties	1,299	1,650
Immigration consultancy services	11,367	18,943
Other services	12,319	13,669
	<u>1,943,572</u>	<u>1,757,789</u>

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and Segment Information (continued)

(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, the PRC and Macau, which comprises property agency businesses for residential, commercial and industrial properties and shops, and other businesses mainly include property leasing and immigration consultancy services.

	Six months ended 30 June 2011			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	1,613,220	328,458	29,119	1,970,797
Inter-segment revenues	(16,982)	(6,109)	(4,134)	(27,225)
Revenues from external customers	1,596,238	322,349	24,985	1,943,572
Segment results	225,634	65,140	21,234	312,008
Impairment of receivables	39,221	10,861	13	50,095
Depreciation and amortisation costs	18,939	1,498	426	20,863
Share of results of				
– jointly controlled entities	–	–	13,947	13,947
– an associated company	–	–	(152)	(152)
Fair value gains on investment properties	–	–	2,745	2,745
Additions to non-current assets	27,536	2,681	145	30,362

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and Segment Information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2010			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	1,494,012	254,534	39,498	1,788,044
Inter-segment revenues	(15,305)	(9,714)	(5,236)	(30,255)
Revenues from external customers	1,478,707	244,820	34,262	1,757,789
Segment results	286,611	35,903	30,458	352,972
Impairment of receivables	31,987	12,287	233	44,507
Depreciation and amortisation costs	13,758	1,013	1,005	15,776
Share of results of				
– jointly controlled entities	–	–	11,396	11,396
– an associated company	–	–	312	312
Fair value gains on investment properties	–	–	5,590	5,590
Fair value gains on assets held for sale	–	–	330	330
Additions to non-current assets	21,419	916	20	22,355

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

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

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and Segment Information (continued)

(b) Segment information (continued)

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

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Segment results for reportable segments	312,008	352,972
Corporate expenses	(48,026)	(46,060)
Unrealised gains/(losses) on financial assets at fair value through profit or loss	4	(18)
Realised gains on available-for-sale financial assets	307	–
Finance income	4,244	1,458
Finance costs	(115)	(348)
Profit before taxation per consolidated income statement	<u>268,422</u>	<u>308,004</u>

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, financial assets at fair value through profit or loss, available-for-sale financial assets, all of which are managed on a central basis. The following is total segment assets and liabilities by reporting segments.

	As at 30 June 2011			
	Property agency			Total HK\$'000
Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000		
Segment assets	<u>1,580,255</u>	<u>613,368</u>	<u>182,148</u>	<u>2,375,771</u>
Segment assets include:				
Interests in jointly controlled entities	–	–	55,442	55,442
Interests in an associated company	–	–	618	618
Segment liabilities	<u>1,222,781</u>	<u>208,851</u>	<u>18,225</u>	<u>1,449,857</u>

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and Segment Information (continued)

(b) Segment information (continued)

	As at 31 December 2010			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	<u>1,415,511</u>	<u>537,000</u>	<u>186,239</u>	<u>2,138,750</u>
Segment assets include:				
Interests in jointly controlled entities	–	–	58,295	58,295
Interests in an associated company	<u>–</u>	<u>–</u>	<u>1,270</u>	<u>1,270</u>
Segment liabilities	<u>1,044,160</u>	<u>177,867</u>	<u>20,094</u>	<u>1,242,121</u>

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Segment assets	2,375,771	2,138,750
Corporate assets	937,370	1,020,079
Deferred taxation assets	9,246	19,141
Financial assets at fair value through profit or loss	167	163
Available-for-sale financial assets	<u>16,419</u>	<u>13,927</u>
Total assets per consolidated balance sheet	<u>3,338,973</u>	<u>3,192,060</u>

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and Segment Information (continued)**(b) Segment information (continued)**

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Segment liabilities	1,449,857	1,242,121
Corporate liabilities	37,669	66,061
Deferred taxation liabilities	<u>2,145</u>	<u>1,801</u>
Total liabilities per consolidated balance sheet	<u>1,489,671</u>	<u>1,309,983</u>

4 Other Income

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Fair value gains on investment properties	2,745	5,590
Fair value gains on assets held for sale	–	330
Unrealised gains on financial assets at fair value through profit or loss	4	–
Realised gains on available-for-sale financial assets	307	–
Gain on disposal of assets held for sale	–	106
Others	<u>807</u>	<u>2,719</u>
	<u>3,863</u>	<u>8,745</u>

Notes to the Interim Financial Information (Unaudited) (continued)

5 Operating Profit

Operating profit is arrived at after charging:

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Loss on disposal of property, plant and equipment	943	1,326
Unrealised losses on financial assets at fair value through profit or loss	<u>–</u>	<u>18</u>

6 Taxation

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Current		
Hong Kong profits tax	39,397	55,785
Deferred	<u>10,239</u>	<u>(3,409)</u>
	<u>49,636</u>	<u>52,376</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2010: 16.5%) on the estimated assessable profit for the Interim Period. Taxation on overseas profits has been calculated on the estimated assessable profit for the Interim Period at the rates of taxation prevailing in the countries in which the Group operates.

Notes to the Interim Financial Information (Unaudited) (continued)

7 Dividends

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Interim dividend declared of HK\$0.2233 (2010: HK\$0.2680) per ordinary share	<u>160,981</u>	<u>194,094</u>

8 Earnings Per Share

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

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity holders	<u>201,502</u>	<u>243,859</u>
Number of shares for calculation of basic earnings per share (thousands)	723,768	724,231
Effect on conversion of share options (thousands)	<u>–</u>	<u>–</u>
Number of shares for calculating diluted earnings per share (thousands)	<u>723,768</u>	<u>724,231</u>
Basic earnings per share (HK cents)	27.84	33.67
Diluted earnings per share (HK cents)	<u>27.84</u>	<u>33.67</u>

Notes to the Interim Financial Information (Unaudited) (continued)

8 Earnings Per Share (continued)

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

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 market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. For the six months ended 30 June 2011 and 2010, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

9 Property, Plant and Equipment, Investment Properties and Land Use Rights

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights HK\$'000
Opening net book amount as at			
1 January 2011	162,416	76,095	–
Additions	30,362	–	–
Disposals	(1,025)	–	–
Depreciation and amortisation costs	(21,467)	–	–
Exchange differences	365	–	–
Change in fair value to income statement	–	2,745	–
Closing net book amount as at 30 June 2011	<u>170,651</u>	<u>78,840</u>	<u>–</u>

Notes to the Interim Financial Information (Unaudited) (continued)

9 Property, Plant and Equipment, Investment Properties and Land Use Rights (continued)

	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Land use rights HK\$'000
Opening net book amount as at 1 January 2010	150,495	54,870	23,426
Additions	22,355	–	–
Transfer	(8,126)	1,950	(17,723)
Disposals	(1,331)	–	–
Disposal of a subsidiary	(1,275)	–	(5,552)
Depreciation and amortisation costs	(15,992)	–	(151)
Exchange differences	285	–	–
Change in fair value to income statement	–	5,590	–
Change in fair value of land and buildings upon transfer of properties to investment properties	6,652	–	–
Closing net book amount as at 30 June 2010	153,063	62,410	–
Additions	28,357	–	–
Disposals	(1,248)	–	–
Depreciation and amortisation costs	(18,663)	–	–
Exchange differences	907	746	–
Change in fair value to income statement	–	12,939	–
Closing net book amount as at 31 December 2010	162,416	76,095	–

Land and buildings with net book value of HK\$27,070,000 (as at 31 December 2010: HK\$27,441,000) are pledged as security for the Group's bank loans.

In addition, land and buildings with net book value of HK\$69,699,000 (as at 31 December 2010: HK\$70,279,000) and investment properties of HK\$44,110,000 (as at 31 December 2010: HK\$43,000,000) are pledged to secure general banking facilities granted to the Group.

Notes to the Interim Financial Information (Unaudited) (continued)

10 Trade and Other Receivables

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Trade receivables	1,299,596	1,177,930
Less: impairment	<u>(106,361)</u>	<u>(119,200)</u>
Trade receivables, net	1,193,235	1,058,730
Other receivables, prepayments and deposits	<u>315,232</u>	<u>200,097</u>
	<u>1,508,467</u>	<u>1,258,827</u>

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

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Not yet due	976,810	893,616
Less than 30 days	100,107	71,064
31 – 60 days	66,832	18,128
61 – 90 days	22,887	24,147
Over 90 days	<u>26,599</u>	<u>51,775</u>
	<u>1,193,235</u>	<u>1,058,730</u>

Notes to the Interim Financial Information (Unaudited) (continued)

11 Share Capital

	Number of shares (HK\$0.10 each)	Nominal value HK\$'000
Authorised:		
As at 30 June 2010, 31 December 2010 and 30 June 2011	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 1 January 2010, 30 June 2010 and 31 December 2010	724,231,425	72,423
Cancellation of shares repurchased (Note)	<u>(3,314,000)</u>	<u>(331)</u>
As at 30 June 2011	<u>720,917,425</u>	<u>72,092</u>

Note:

During the six months ended 30 June 2011, the Group repurchased and cancelled 3,314,000 (year ended 31 December 2010: nil) of its own shares on the Stock Exchange at an aggregate consideration of HK\$17,518,000 (including expense of HK\$68,000).

12 Trade and Other Payables

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Trade payables	428	374
Commissions payable	818,071	705,631
Other payables and accruals	<u>601,307</u>	<u>550,852</u>
	<u>1,419,806</u>	<u>1,256,857</u>

Trade payables and commissions payable include principally the commissions payable to property consultants and co-operative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$126,816,000 (as at 31 December 2010: HK\$128,559,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

Notes to the Interim Financial Information (Unaudited) (continued)

13 Bank Loans

	As at 30 June 2011 HK\$'000	As at 31 December 2010 HK\$'000
Secured bank loans		
Current	<u>12,233</u>	<u>12,663</u>

Movement in borrowings is analysed as follows:

	2011 HK\$'000	2010 HK\$'000
Balance as at 1 January	12,663	22,493
Repayment of bank loans	<u>(430)</u>	<u>(9,405)</u>
Balance as at 30 June	<u>12,233</u>	<u>13,088</u>

14 Capital Commitment

The Group and the Company did not have any significant capital commitment as at 30 June 2011 and 31 December 2010.

15 Contingent Liabilities

At 30 June 2011, the Company executed corporate guarantee as part of the securities for general banking facilities of HK\$160,200,000 granted to certain wholly-owned subsidiaries (as at 31 December 2010: HK\$160,200,000). At 30 June 2011, HK\$8,865,000 of the banking facilities were utilised by the subsidiaries (as at 31 December 2010: HK\$7,544,000).

Notes to the Interim Financial Information (Unaudited) (continued)

16 Significant Related Party Transactions

The Group had the following significant transactions with related parties during the period and balances with related parties at the end of the Interim Period:

	Note	2011 HK\$'000	2010 HK\$'000
(a) Transactions with related parties			
Agency fee income from:			
– Related companies	(i)	3,999	179
– Directors	(ii)	127	574
Operating lease rental expenses in respect of offices and shops premises:			
– Related companies	(iii)	3,312	1,827
– Directors	(iv)	647	588
Gain on disposal of a subsidiary	(v)	–	2,719
(b) Key management compensation			
Salaries and commission and other benefits	(vi)	46,831	49,073
(c) Balances with related parties			
Loan to a related party	(vii)	198	198
Dividend receivable from a jointly controlled entity		16,800	–

Notes:

- (i) Agency fee income from related companies represents agency fee for property agency receivable from certain related companies in which directors of the Company have beneficial interests, on terms mutually agreed by both parties.
- (ii) Agency fee income from directors of the Company represents agency fee for property agency receivable from directors of the Company on terms mutually agreed by both parties.
- (iii) The Group entered into certain operating lease agreements with certain related companies in which directors of the Company have beneficial interests, on terms mutually agreed by both parties.
- (iv) The Group entered into certain operating lease agreements with directors of the Company on terms mutually agreed by both parties.
- (v) During the six months ended 30 June 2010, the Group disposed of its interest in a subsidiary to a related company in which a director of the Company has beneficial interest, at a cash consideration of HK\$9,480,000. Such disposal resulted in a gain of HK\$2,719,000.
- (vi) The amount represents emolument paid or payable to Directors for the period.
- (vii) The loan advanced to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

17 Subsequent Event

On 21 July 2011, 7,659,160 share options were granted to certain directors of the Company under the Company's share option scheme adopted on 30 April 2002.