



Midland Holdings Limited

▶ Incorporated in Bermuda with limited liability ◀

( S t o c k C o d e : 1 2 0 0 )

# Soaring to Summit

## Interim Report 2010



## Corporate Information

### **DIRECTORS**

#### **Executive Directors**

Mr. WONG Kin Yip, Freddie  
*(Chairman and Managing Director)*  
Ms. TANG Mei Lai, Metty *(Deputy Chairman)*  
Mr. WONG Kam Hong  
Mr. CHAN Kwan Hing  
Ms. WONG Ching Yi, Angela  
Mr. KWOK Ying Lung  
Ms. IP Kit Yee, Kitty

#### **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**

Ms. AU YEUNG Pui Shan Karen *(Appointed on 16 August 2010)*  
Ms. KAM Man Yi, Margaret *(Resigned on 16 August 2010)*

### **REGISTERED OFFICE**

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

## Corporate Information (continued)

### 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  
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

lu, 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](http://www.midland.com.hk)

### STOCK CODE

1200

The board of directors (the “Board” or the “Directors”) of Midland Holdings Limited (“Midland” or the “Company”) is pleased to present the interim report and unaudited interim financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2010 (the “Interim Period”) together with the comparative figures. The unaudited interim financial information, which comprises unaudited condensed consolidated statements of income, comprehensive income, changes in equity and cash flow for the Interim Period, and the unaudited condensed consolidated balance sheet as at 30 June 2010, along with explanatory notes, are set out on pages 18 to 40 of this report.

## Management Discussion and Analysis

### Review

The Group is pleased to announce results that met expectations for the first half of 2010. In the six months ended 30 June 2010, revenue rose 14% to HK\$1,757,789,000 from the year before while net profit decreased 8% to HK\$255,628,000.

The first half was full of challenges again for the world’s economy. For a while, it looked as if the Euro Zone’s credit crisis would threaten the fragile recovery in the rest of the world. But Hong Kong’s economic recovery was on track, as the growth in the gross domestic product for the first half and a steady decline in jobless rate indicated. In the first half, the property market also put on a strong performance as both prices and transaction volume took off. While the interbank rates headed higher at one point, they obviously softened lately. Low borrowing costs, therefore, are the major factor supporting the local property market. In view of the improvement in economy, there was an increase in overall costs of the Group in the first six months, however, the Group considered this as a challenge and strived for excellence.

### High demand raises transaction volume

The property market put on a strong performance in the first quarter, with property prices clearly on an uptrend. Although the Government’s proclamation of the “nine measures and twelve tactics” to restrict home sales in the primary market triggered a downward adjustment from late April to May, activities picked up again in early June, following the public auction of the Homantin lot for HK\$10.9 billion. Since then, sales of residential properties in both the primary and secondary markets picked up noticeably.

The entire residential property market has had a good year so far. Among the different segments, the small to mid-sized segment decidedly outperformed. While the relatively smaller price increases of that segment may have helped, an upturn in Hong Kong’s economy is the real driver. The desire among home buyers to own property has been fanned by low interest rates and the lack of an outlet for capital investment. Since its implementation, the Capital Investment Entrant Scheme has done its fair share to attract immigrants to buy homes here to qualify for a residency. Data released by the Immigration Department show that in the first half of 2010, the number of applications under that scheme jumped 97% from the year-ago level. As both local and offshore demand increased, the Hong Kong property market was able to pick up momentum in the first half. As a result, the Group’s performance also improved. On the other hand, dampened by a number of government measures, the mainland property market slowed. Thus by comparison, the Group’s mainland operations did not do as well.

## Management Discussion and Analysis (continued)

### **More land supply aids market**

Doubtless, home prices have increased considerably, given the low-interest-rate environment. The Group welcomes the Government's move to stabilise property prices and to increase the supply of land to ease the upward pressure on pricing. The Group also fully supports the Government's new initiatives to update the guidelines and improve the sales procedures of properties in the primary market.

### **Group continues to expand, promote**

Although residential property prices continued on an uptrend during the first half, the transaction volume fluctuated noticeably. We took up the challenge as nearly 40 years of experience in the estate broking industry has given us a good handle on how to confront changing market conditions and apply different strategies to meet the changes.

To keep pace with the market, the Group took appropriate steps to recruit human resources and expand the branch network in the first half. In overall operations, the Group focused on maintaining flexibility, adopting multiple prongs in marketing. Most notable was a series of well-received seminars we hosted for investors. The first seminar entitled "A Comprehensive Strategy on Properties, Stocks and Mortgaging" and held at the Hong Kong Convention and Exhibition Centre in March, drew an audience of more than 1,800. In May, we held a seminar on properties and mortgages for both the Hong Kong and Macau markets. In June, the third seminar to shed light on trends in properties, stocks and mortgaging for the second half was in such demand that we had to add sessions. We believe that the high attendance was testimony of public support for the Group as well as trust in our vision. Our leadership position was thus firmly established. In July, we launched an advertising campaign to remind the Government of the need to increase land supply, using the theme of "increasing land supply to prevent further inflating the property bubble". We are pleased to see the Government offered three residential lots for public auction in August.

The Group won a number of awards in the reporting period. Ms. Wong Ching Yi, Angela, the Executive Director, won the first "2010 Entrepreneurs of Tomorrow"; Quamnet named the Group the "Outstanding Property Agency 2009". Meanwhile, a number of our sales agents won awards for outstanding performance in the 42nd Distinguished Salesperson Award. Same as for 2008, Henderson Land awarded the Group a gold medal to recognise its efforts in brokering sales of new residential units during 2009. These, plus a number of merit awards for sales of residential units in the primary market, once again reflect the Group's top spot in the market.

### **Outlook**

Following a slew of measures by various governments to stimulate exports and prop domestic output, the global economy appears to be emerging from the doldrums. However, the pace of growth in Western developed countries clearly has lagged behind that of China and other developing markets. In other words, the economic recovery worldwide remains fragile and tentative.

## Management Discussion and Analysis (continued)

### **Expect steady growth but watch out for policy changes**

Hong Kong is fortunate to have the advantage of an economically viable hinterland. More and more mainland Chinese visitors are likely to shop and spend in the city. Similarly, a rising number of mainland Chinese who have obtained residency in a foreign country is likely to “immigrate” to Hong Kong and buy homes in the process. The listing of the Bank of Agriculture of China in July logged the largest initial public offering ever, reinforcing Hong Kong’s position as an international financial centre. As the economies of Hong Kong and the mainland integrate further, more and more opportunities will open up in the city.

The Group believes that as long as interest rates remain low and ample liquidity continues, the outlook for the local property market will be bright. The desire to own homes and to upgrade living conditions is getting stronger among Hong Kong people. The demand among investors is also on the rise. Although the rental returns on residential properties, including luxury units, are not that attractive, investors are likely to continue playing the market, as long as liquidity remains ample and the outlet for capital inflow remains limited. However, one must bear in mind that the currency policies of different countries have a direct impact on capital flow. If the flow of capital takes a different turn, the local property scene is likely to be affected. Along this line, the Group welcomes the Government’s recent moves to impose a ceiling on residential mortgage financing and to restrict investment-related home sales. We believe that such policies will help reduce speculative activities and put the residential property market back on track for steady growth.

Increasing land supply, especially the type for luxury homes, is likely to be the most effective among various Government policies. We shall keep our eyes on possible new government policies both locally and overseas.

### **Expand on cautious optimism**

In line with our cautiously optimistic view, we shall continue with our strategy of optimal expansion in the next six months. Besides either enlarging the premises or adding outlets in prime locations, we shall continue to ride on the Midland name to attract talents to our ranks so as to upgrade and strengthen our competitiveness. While keeping an eye on how overseas monetary policies and local property policies may affect our operating environment, we shall use proven strategies and tactics to increase our share in the property market.

We also believe that a creative and flexible modus operandi further reinforces our forte. Faced with intensive competition in the marketplace, we value a lot the need for marketing. We also will innovate by launching value-added services to shore up our position and ensure our undisputable leadership. Along this line, as a token of appreciation for public support and also as an educational tool, we produced recently an informative DVD entitled “Looking Beyond – the Property Market Series” as a give-away. The DVD features insightful analysis of the property market, the mortgage mechanism and related legal issues by a number of experts in various fields. The response to the gift item was overwhelming. It is also proof that marketing through multiple media does pay off to raise the Group’s public profile and to benefit business overall.

# Management Discussion and Analysis (continued)

## Financial Review

### Liquidity, Financial Resources and Funding

As at 30 June 2010, the Group had bank balances and cash of HK\$1,590,632,000, whilst bank loans amounted to HK\$13,088,000. The Group's bank loans were secured by certain leasehold land and buildings held by the Group of HK\$27,812,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	851
After 1 year but within 2 years	869
After 2 years but within 5 years	2,710
Over 5 years	8,658

As at 30 June 2010, the Group had unutilised banking facilities amounting to HK\$221,095,000 from various banks. The Group's bank balances and cash 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 2010, the Group had pledged fixed deposits of HK\$216,000.

As at 30 June 2010, the gearing ratio of the Group was 0.7% (as at 31 December 2009: 1.2%). The gearing ratio is computed on the basis of total bank loans divided by the total equity of the Group.

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 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.

## Management Discussion and Analysis (continued)

### **Contingent Liabilities**

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

### **Employee Information**

As at 30 June 2010, the Group employed 7,540 full time employees of which 6,489 were sales agents, 532 were back office supportive employees and 519 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, profit sharing 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.



## Additional Information

### Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2010, 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 ("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	Personal Interests	Number of Ordinary Shares			Total	Percentage of Shareholding
		Corporate Interests	Family Interests	Underlying Shares		
Mr. WONG Kin Yip, Freddie	31,074,000	5,494,144 (Note 1)	–	–	36,568,144	5.05%
Ms. TANG Mei Lai, Metty	–	–	36,568,144 (Note 2)	–	36,568,144	5.05%
Ms. WONG Ching Yi, Angela	–	–	–	7,308,974 (Note 3)	7,308,974	1.01%

Notes:

- Such shares are held by Sunluck Services Limited, a wholly-owned subsidiary of Southern Field Trading Limited which is wholly owned by Mr. Wong Kin Yip, Freddie.
- These shares represent the same block of shares held by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as beneficial owner.
- Such shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options granted to her.

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

Save as disclosed above, as at 30 June 2010, none of the Directors nor the chief executives of the Company had or was deemed to have any interest 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).

## Additional Information (continued)

### Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2010, the interests or short positions of the persons, 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 and the amounts of such interests were as follows:

Name of Substantial Shareholders	Number of Ordinary Shares	Capacity	Percentage of Shareholding
Marathon Asset Management	74,334,000 (L)	Investment manager	10.26%
JP Morgan Chase & Co.	114,294,636 (L) 114,294,636 (P)	Beneficial owner Approved lending agent	15.78% 15.78%
Baillie Gifford & Co	44,142,000 (L) (Note 1)	Investment manager	6.10%
Callander Alex	44,142,000 (L) (Note 1)	Interest in controlled corporation	6.10%
Plowden Charles	44,142,000 (L) (Note 1)	Interest in controlled corporation	6.10%
Telfer Andrew	44,142,000 (L) (Note 1)	Interest in controlled corporation	6.10%
Warden Alison	44,142,000 (L) (Note 1)	Interest in controlled corporation	6.10%
Whitley Sarah	44,142,000 (L) (Note 1)	Interest in controlled corporation	6.10%

## Additional Information (continued)

Name of Substantial Shareholders	Number of Ordinary Shares	Capacity	Percentage of Shareholding
Third Avenue Management LLC, on behalf of numerous portfolios	42,420,000 (L)	Investment manager	5.86%
Universities Superannuation Scheme Ltd	38,250,000 (L)	Trustee	5.28%
Invesco Hong Kong Limited (in its capacity as manager/ advisor of various accounts)	39,356,000 (L)	Investment manager	5.43%
Remarks: (L) – Long Position, (P) – Lending Pool			

Note:

- These shares represent the same block of shares. Messrs. Callander Alex, Plowden Charles, Telfer Andrew, Warden Alison and Whitley Sarah are deemed to be interested in these shares.

## Share Option Schemes

### Midland Share Option Scheme

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”). A summary of the Share Option Scheme is as follows:

(a) Purpose

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

## Additional Information (continued)

(b) Eligible persons

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

(c) Total number of shares available for issue

Total number of shares available for issue are 35,636,609, representing approximately 4.92% of the issued share capital of the Company as at the date of this report.

(d) Maximum entitlement of each eligible 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 schemes of the Company to each eligible person (including cancelled, exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

(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 schemes of the Company to each eligible person who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of shares of the Company in issue and the aggregate value which based on the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of each grant shall not exceed HK\$5,000,000.

Any further grant of share options in excess of the abovementioned limit shall be subject to the issue of a circular by the Company and shall be separately approved by the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

## Additional Information (continued)

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the Directors 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 twenty-eight days from the day on which such offer was made. The amount payable on acceptance of the offer for the grant of an option is HK\$1.00.

(h) Basis of determining the exercise price

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

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

## Additional Information (continued)

(i) The remaining life of the Share Option Scheme

The Share Option Scheme became effective on 30 April 2002 and will remain in force for a period of ten years from that date.

Details of the share options granted to Ms. WONG Ching Yi, Angela, an Executive Director, on 22 October 2007 and the particulars of the movements of share options outstanding during the Interim Period under the Share Option Scheme are as follows:

Name	Date of grant	Exercise price HK\$	Number of share options			Balance outstanding as at 30 June 2010	Exercisable period
			Balance outstanding as at 1 January 2010	Options granted during the Interim Period	Exercised/ cancelled/ lapsed during the Interim Period		
<b>Participant</b>							
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	1 August 2008 to 31 July 2011
			<hr/>	<hr/>	<hr/>	<hr/>	
Total			<u>7,308,974</u>	<u>–</u>	<u>–</u>	<u>7,308,974</u>	

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

## Additional Information (continued)

### Midland IC&I Limited Share Option Scheme

At an extraordinary general meeting of Midland IC&I Limited ("Midland IC&I") held on 19 September 2008, a share option scheme of Midland IC&I (the "Midland IC&I Share Option Scheme") was adopted.

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

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

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

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

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

(c) Total number of shares available for issue

Total number of shares available for issue are 830,000,000, representing approximately 10% of the issued share capital of Midland IC&I as at the date of this report.

(d) Maximum entitlement of each eligible person

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

Any further grant of share options in excess of the abovementioned limit shall be separately approved by the shareholders of Midland IC&I and, for so long as Midland IC&I remains a subsidiary of the Company, the shareholders of the Company in their respective general meeting with such eligible person and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules and other applicable statutory regulations or rules must be complied with.

## Additional Information (continued)

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

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

Any further grant of share options in excess of the abovementioned limit shall be subject to the issue of a circular by Midland IC&I and shall be separately approved by the shareholders of Midland IC&I and, for so long as Midland IC&I remains a subsidiary of the Company, the shareholders of the Company in their respective general meeting with such grantee and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

### (f) Time of exercise of option

The Midland IC&I Share Option Scheme will remain in force for a period of ten years commencing from the date of adoption, after which no further share options shall be granted. The share options which are granted during the life of the Midland IC&I Share Option Scheme may, however continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the Midland IC&I Share Option Scheme shall remain in full force and effect.

### (g) Basis of determining the exercise price

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

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

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

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

No share options had been granted, exercised, cancelled or lapsed under the Midland IC&I Share Option Scheme during the Interim Period.



## Additional 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 Shares**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the Interim Period.

### **Dividends**

The Board has resolved to declare an interim dividend of HK\$0.268 per ordinary share for the Interim Period (six months ended 30 June 2009: an interim dividend of HK\$0.176 per ordinary share and a special cash bonus of HK\$0.200 per ordinary share) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at the close of business on Wednesday, 15 September 2010. The interim dividend will be paid on or around Wednesday, 22 September 2010.

### **Closure of Register of Members**

The register of members of the Company will be closed from Tuesday, 14 September 2010 to Wednesday, 15 September 2010, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2010 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, not later than 4:30 p.m. on Monday, 13 September 2010.

### **Review by Audit Committee**

The Audit Committee of the Company has reviewed and discussed with the management of the Company the interim report of the Company 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 ("HKICPA").

## Additional 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 are not segregated under code provision A.2.1 of the CG Code.

Mr. WONG Kin Yip, Freddie (“Mr. WONG”) is the Chairman and Managing Director of the Company and is also the founder of the Group. Mr. WONG is responsible for formulating the overall corporate directions and corporate strategies of the Group and is also responsible for leading the management team.

Mr. WONG also carried out the function of chief executive officer of the Company. The daily operation and management of the Company are monitored by the Executive Directors as well as the senior management of the Company, whereas 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.

Although code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual, the Board considers that the above structure will not impair the balance of power and authority between the Board and the senior management of the Company.

The Board believes that under the leadership of Mr. WONG, the current structure is conducive to strong and consistent leadership and management, with focused power enabling the Company to make and implement business decisions and strategies promptly and efficiently which is beneficial to the business prospects and development of the Group.

### 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

As markets the world over move towards globalisation, the Group sees business opportunities not just in Hong Kong but elsewhere as well. That is all the more reason we place great value on human resources. We recognise employees who are innovative or effective with implementation or simply hard-working. On behalf of other Directors on the Board, let me take this opportunity to express our heart-felt gratitude to our customers, shareholders, and last but not least, the entire management team and each and every worker within the Group. We truly appreciate your support – and in the case of our staff – your devotion.

On behalf of the Board  
**WONG Kin Yip, Freddie**  
*Chairman and Managing Director*

Hong Kong, 25 August 2010

# Condensed Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Revenues	3	1,757,789	1,543,661
Other income	4	8,745	15,078
Staff costs		(988,974)	(838,584)
Rebate commissions		(39,632)	(27,097)
Advertising and promotion expenses		(122,349)	(90,565)
Operating lease charges in respect of office and shop premises		(140,154)	(125,327)
Impairment of receivables		(44,507)	(38,368)
Depreciation and amortisation costs		(16,143)	(17,555)
Other operating costs		(119,589)	(92,631)
Operating profit	5	295,186	328,612
Finance income		1,458	1,319
Finance costs		(348)	(685)
Share of results of			
Jointly controlled entities		11,396	5,109
An associated company		312	1,386
Profit before taxation		308,004	335,741
Taxation	6	(52,376)	(58,164)
Profit for the period		255,628	277,577
Profit for the period attributable to:			
Equity holders		243,859	272,428
Non-controlling interests		11,769	5,149
		255,628	277,577
Dividends	7	194,094	272,311
Earnings per share	8	<b>HK cents</b>	<b>HK cents</b>
Basic		33.67	37.62
Diluted		33.67	37.62

# Condensed Consolidated Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Comprehensive income		
Profit for the period	255,628	277,577
Other comprehensive income		
Currency translation differences	2,247	(3,379)
Change in fair value of properties upon transfer to investment properties	6,652	2,774
Change in fair value of available-for-sale financial assets	(309)	(885)
	<u>8,590</u>	<u>(1,490)</u>
Total comprehensive income for the period	<u>264,218</u>	<u>276,087</u>
Total comprehensive income for the period attributable to:		
Equity holders	252,449	270,938
Non-controlling interests	<u>11,769</u>	<u>5,149</u>
	<u>264,218</u>	<u>276,087</u>

# Condensed Consolidated Balance Sheet (Unaudited)

AS AT 30 JUNE 2010

	Note	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	153,063	150,495
Investment properties	9	62,410	54,870
Land use rights	9	–	23,426
Interests in jointly controlled entities		45,464	48,068
Interests in an associated company		1,274	4,162
Available-for-sale financial assets		11,541	11,851
Deferred taxation assets		14,245	10,840
		<u>287,997</u>	<u>303,712</u>
<b>Current assets</b>			
Trade and other receivables	10	1,059,529	1,114,268
Financial assets at fair value through profit or loss		156	174
Cash and bank balances		1,590,632	1,477,419
		<u>2,650,317</u>	<u>2,591,861</u>
Assets held for sale	11	24,229	13,000
		<u>2,674,546</u>	<u>2,604,861</u>
<b>Total assets</b>		<u>2,962,543</u>	<u>2,908,573</u>

# Condensed Consolidated Balance Sheet (Unaudited) (continued)

AS AT 30 JUNE 2010

	Note	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000 (Restated)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	12	72,423	72,423
Share premium		247,484	247,484
Reserves		1,160,201	1,101,846
Proposed dividend		194,094	317,213
		<u>1,674,202</u>	<u>1,738,966</u>
<b>Non-controlling interests</b>		<u>87,090</u>	<u>75,321</u>
<b>Total equity</b>		<u>1,761,292</u>	<u>1,814,287</u>
<b>Non-current liabilities</b>			
Bank loans	13	12,237	20,578
Deferred taxation liabilities		897	967
		<u>13,134</u>	<u>21,545</u>
<b>Current liabilities</b>			
Trade and other payables	14	1,076,399	1,008,259
Bank loans	13	851	1,915
Amount due to an associated company		500	3,200
Taxation payable		110,367	59,367
		<u>1,188,117</u>	<u>1,072,741</u>
<b>Total liabilities</b>		<u>1,201,251</u>	<u>1,094,286</u>
<b>Total equity and liabilities</b>		<u>2,962,543</u>	<u>2,908,573</u>
<b>Net current assets</b>		<u>1,486,429</u>	<u>1,532,120</u>
<b>Total assets less current liabilities</b>		<u>1,774,426</u>	<u>1,835,832</u>

# Condensed Consolidated Cash Flow Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Net cash from operating activities	418,528	290,103
Net cash from investing activities	18,894	550
Net cash (used in)/from financing activities	<u>(326,619)</u>	<u>2,576</u>
Net increase in cash and cash equivalents	110,803	293,229
Cash and cash equivalents at 1 January	1,477,419	941,977
Effect of foreign exchange rate changes	<u>2,410</u>	<u>12</u>
Cash and cash equivalents at 30 June	<u>1,590,632</u>	<u>1,235,218</u>

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Equity holders HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2009	72,423	247,484	1,002,590	1,322,497	52,835	1,375,332
Total comprehensive income	–	–	270,938	270,938	5,149	276,087
Transaction with owners 2008 final dividend paid	–	–	(7,242)	(7,242)	–	(7,242)
At 30 June 2009	72,423	247,484	1,266,286	1,586,193	57,984	1,644,177
At 1 January 2010	72,423	247,484	1,419,059	1,738,966	75,321	1,814,287
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



# 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 at the Stock Exchange. The address of its registered office is Clarendon House, 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, Mainland China and Macau.

This unaudited condensed consolidated interim financial information was approved by the Board on 25 August 2010.

## 2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2010 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 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2009 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 2010.

## 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 2010

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 17 Amendment	Leases
HKAS 18 Amendment	Revenue
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments

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:

- (a) HKFRS 3 (Revised) "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the 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. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The adoption of this revised standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.

## 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 2010 (continued)

- (b) HKAS 27 (Revised) "Consolidated and Separate Financial Statements". The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the income statement. Also, additional guidance given on linked transactions. The adoption of this amendment to standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.
- (c) HKAS 17 Amendment, "Leases". It deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 Amendment has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The accounting for land interest classified as finance lease is as below:

- (i) If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term; and
- (ii) If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property and carried at fair value.

## 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 2010 (continued)

The effect of the adoption of this amendment is as below:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Decrease in leasehold land and land use rights	(71,737)	(72,324)
Increase in property, plant and equipment	<u>71,737</u>	<u>72,324</u>

#### (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 1 January 2010. 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	
	2010 HK\$'000	2009 HK\$'000
Turnover		
Agency fee	1,723,527	1,519,599
Rental from investment properties	1,650	2,937
Immigration consultancy services	18,943	10,499
Other services	<u>13,669</u>	<u>10,626</u>
	<u>1,757,789</u>	<u>1,543,661</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, Mainland China 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 2010			
	Property agency		Others HK\$'000	Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops 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

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

## 3 Revenues and segment information (continued)

## (b) Segment information (continued)

	Six months ended 30 June 2009			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	1,379,767	159,868	29,695	1,569,330
Inter-segment revenues	(13,619)	(6,417)	(5,633)	(25,669)
Revenues from external customers	1,366,148	153,451	24,062	1,543,661
Segment results	308,155	38,704	32,583	379,442
Impairment of receivables	(33,553)	(4,815)	–	(38,368)
Depreciation and amortisation costs	(15,329)	(1,006)	(1,220)	(17,555)
Share of results of				
– jointly controlled entities	(82)	–	5,191	5,109
– an associated company	–	–	1,386	1,386
Fair value gains on investment properties	–	–	5,120	5,120
Additions to non-current assets	3,683	30,410	–	34,093

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss, 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	
	2010 HK\$'000	2009 HK\$'000
Segment results for reportable segments	352,972	379,442
Corporate expenses	(46,060)	(49,268)
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	(18)	4,933
Finance income	1,458	1,319
Finance costs	(348)	(685)
Profit before taxation per consolidated income statement	<u>308,004</u>	<u>335,741</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. These are part of the reconciliation to total balance sheet assets.

#### As at 30 June 2010

	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	<u>1,352,772</u>	<u>420,447</u>	<u>190,873</u>	<u>1,964,092</u>
Segment assets include:				
Interests in jointly controlled entities	–	–	45,464	45,464
Interests in an associated company	–	–	1,274	1,274
Segment liabilities	<u>984,275</u>	<u>144,279</u>	<u>20,107</u>	<u>1,148,661</u>

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

## 3 Revenues and segment information (continued)

## (b) Segment information (continued)

As at 31 December 2009

	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	1,283,667	375,176	205,830	1,864,673
Segment assets include:				
Interests in jointly controlled entities	–	–	48,068	48,068
Interests in an associated company	–	–	4,162	4,162
Segment liabilities	847,943	136,045	28,536	1,012,524

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Segment assets	1,964,092	1,864,673
Corporate assets	972,509	1,021,035
Deferred taxation assets	14,245	10,840
Financial assets at fair value through profit or loss	156	174
Available-for-sale financial assets	11,541	11,851
Total assets per the consolidated balance sheet	2,962,543	2,908,573



## 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 2010 HK\$'000	As at 31 December 2009 HK\$'000
Segment liabilities	1,148,661	1,012,524
Corporate liabilities	51,693	80,795
Deferred taxation liabilities	897	967
	<hr/>	<hr/>
Total liabilities per the consolidated balance sheet	1,201,251	1,094,286
	<hr/>	<hr/>

## 4 Other income

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Dividend income from listed investments	–	4
Fair value gains on investment properties	5,590	5,120
Fair value gains on assets held for sale	330	–
Net realised and unrealised gains on financial assets at fair value through profit or loss	–	4,933
Gains on disposal of investment properties	–	5,021
Gain on disposal of a subsidiary	2,719	–
Gains on disposal of assets held for sale	106	–
	<hr/>	<hr/>
	8,745	15,078
	<hr/>	<hr/>

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

### 5 Operating profit

Operating profit is arrived at after charging:

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment	1,326	2,210
Unrealised losses on financial assets at fair value through profit or loss	18	–
	<u>1,344</u>	<u>2,210</u>

### 6 Taxation

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	55,785	62,542
Overseas	–	1,412
Deferred	(3,409)	(5,790)
	<u>52,376</u>	<u>58,164</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 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	
	2010 HK\$'000	2009 HK\$'000
Interim dividend declared of HK\$0.268 (2009: HK\$0.176) per ordinary share	194,094	127,465
Special cash bonus of HK\$Nil (2009: HK\$0.200) per ordinary share	–	144,846
	<u>194,094</u>	<u>272,311</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	
	2010 HK\$'000	2009 HK\$'000
Profit attributable to equity holders	<u>243,859</u>	<u>272,428</u>
Number of shares for calculation of basic earnings per share (thousands)	724,231	724,231
Effect on conversion of share options (thousands)	–	–
Number of shares for calculating diluted earnings per share (thousands)	<u>724,231</u>	<u>724,231</u>
Basic earnings per share (HK cents)	33.67	37.62
Diluted earnings per share (HK cents)	<u>33.67</u>	<u>37.62</u>

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 annual market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted earnings per share for the six months ended 30 June 2010 and 2009 did not assume the exercise of share options outstanding during the period since the exercise of share options would have an anti-dilutive effect.

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

## 9 Capital expenditure 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 2010 (as previously reported)	78,171	54,870	95,750
Adjustment for adoption of amendment to HKAS 17	72,324	–	(72,324)
Opening net book amount as at 1 January 2010 (as restated)	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 properties upon transfer to investment properties	6,652	–	–
Closing net book amount as at 30 June 2010	153,063	62,410	–
Opening net book amount as at 1 January 2009 (as previously reported)	72,412	71,400	99,222
Adjustment for adoption of amendment to HKAS 17	75,398	–	(75,398)
Opening net book amount as at 1 January 2009 (as restated)	147,810	71,400	23,824
Additions	34,093	–	–
Transfer	(9,310)	9,310	–
Disposals	(2,243)	(6,880)	–
Depreciation and amortisation costs	(17,356)	–	(199)
Change in fair value to income statement	–	5,120	–
Change in fair value of properties upon transfer to investment properties	2,774	–	–
Closing net book amount as at 30 June 2009	155,768	78,950	23,625
Additions	14,293	–	–
Transfer	(3,460)	(9,540)	–
Disposals	(1,219)	(21,100)	–
Depreciation and amortisation costs	(15,561)	–	(199)
Change in fair value to income statement	–	6,560	–
Change in fair value of properties upon transfer to investment properties	674	–	–
Closing net book amount as at 31 December 2009	150,495	54,870	23,426

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

**10 Trade and other receivables**

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Trade receivables	1,006,493	1,139,993
Less: Impairment	(119,154)	(183,456)
Trade receivables, net	887,339	956,537
Other receivables, prepayments and deposits	172,190	157,731
	<u>1,059,529</u>	<u>1,114,268</u>

The trade receivables mainly represent agency fee receivables from customers whereby no general credit facilities are available. The customers are obliged to settle the amounts upon the completion of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Not yet due	730,030	807,730
Less than 30 days	54,668	56,310
31-60 days	35,281	34,176
61-90 days	23,069	22,904
Over 90 days	44,291	35,417
	<u>887,339</u>	<u>956,537</u>

**11 Assets held for sale**

The Group has determined to dispose of certain properties with aggregated carrying value of HK\$24,229,000 (as at 31 December 2009: HK\$13,000,000), accordingly, these assets were presented separately in the balance sheet as at 30 June 2010.

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

## 12 Share capital

	Number of shares (HK\$0.10 each)	Nominal value HK\$'000
Authorised:		
As at 30 June 2009, 31 December 2009 and 30 June 2010	1,000,000,000	100,000
Issued and fully paid:		
As at 30 June 2009, 31 December 2009 and 30 June 2010	724,231,425	72,423

## 13 Bank loans

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Secured bank loans		
Non-current	12,237	20,578
Current	851	1,915
Total	13,088	22,493

Movement in borrowings is analysed as follows:

	2010 HK\$'000	2009 HK\$'000
Balance as at 1 January	22,493	27,564
Drawdown of bank loans	–	14,280
Repayment of bank loans	(9,405)	(10,112)
Balance as at 30 June	13,088	31,732

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

**14 Trade and other payables**

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Trade payables	596	681
Commissions payable	618,455	544,792
Other payables and accruals	457,348	462,786
	<u>1,076,399</u>	<u>1,008,259</u>

The trade payables and commissions payable include principally the commissions payable to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$124,663,000 (as at 31 December 2009: HK\$71,885,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

**15 Capital commitment**

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Contracted but not provided for property, plant and equipment	<u>1,464</u>	<u>–</u>

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

### 16 Contingent liabilities

At 30 June 2010, the Company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of HK\$300,800,000 (as at 31 December 2009: granted to certain wholly-owned subsidiaries and an associated company of HK\$316,442,000). In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly owned subsidiaries. At 30 June 2010, HK\$20,374,000 banking facilities were utilised by the subsidiaries (as at 31 December 2009: utilised by the subsidiaries and an associated company of HK\$32,086,000 and HK\$1,884,000 respectively).

### 17 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:

#### (a) Transactions with related parties

	Note	Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Agency fee income from:			
Related companies	(i)	179	360
Directors of the Company	(ii)	574	48
Operating lease rental expenses in respect of offices and shops premises to:			
Related companies	(iii)	1,827	825
Directors of the Company	(iv)	588	618
		<u>588</u>	<u>618</u>



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

### 17 Significant related party transactions (continued)

#### (a) Transactions with related parties (continued)

Notes:

- (i) Agency fee income from related companies represents agency fee for property agency receivable from certain related companies, in which, a director of the Company has beneficial interests of these companies, on terms mutually agreed by both parties.
- (ii) Agency fee income from directors of the Company represents agency fee for property agency to 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, a director of the Company has beneficial interests of these companies, on terms mutually agreed by both parties.
- (iv) The Group entered into lease agreements with directors of the Company, on terms mutually agreed by both parties.
- (v) During the Interim Period, 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 (six months ended 30 June 2009: Nil).

#### (b) Key management compensation

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Salaries and commission and other benefits	49,073	42,087

The amount represents emolument paid or payable to Executive Directors for the period.

#### (c) Loan to a related party

	As at	As at
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Loan to a related party	198	198

The loan advanced to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.