



白馬高飛 日月爭輝 樓市騰飛  
Flying High Leading the Market to Shine

Annual Report 2010 年報



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# 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  
Ms. WONG Ching Yi, Angela  
Mr. CHAN Kwan Hing  
Mr. KWOK Ying Lung  
*(Resigned on 15 March 2011)*  
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

## 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

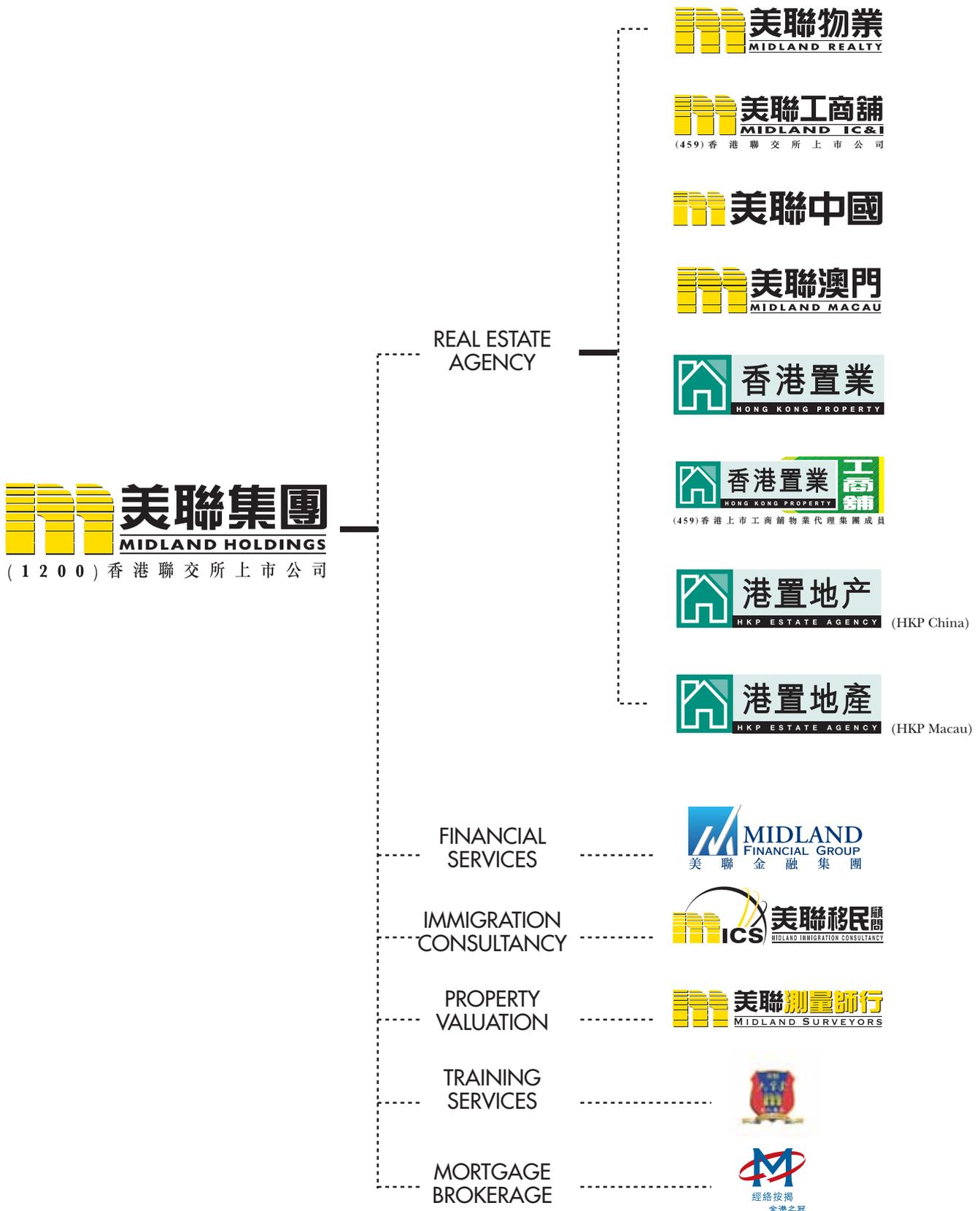
## WEBSITE

[www.midland.com.hk](http://www.midland.com.hk)

## STOCK CODE

1200

# Organisation Chart



# Appendix to Organisation Chart



Board of Directors: Back row from left to right: IP Kit Yee, Kitty, WANG Ching Miao, Wilson, KOO Fook Sun, Louis, WONG Ching Yi, Angela, WONG Kam Hong, CHAN Kwan Hing, SUN Tak Chiu  
Front row from left to right: TANG Mei Lai, Metty, WONG Kin Yip, Freddie

## SBU

## Business Description



Provision of residential property agency services in Hong Kong



Provision of non-residential property agency services in respect of industrial, commercial and shop properties in Hong Kong



Provision of project planning, commercial property management, marketing and sales planning and property agency services in the PRC



Provision of property agency, surveying, project planning, leasing and property management services in Macau



Provision of residential property agency services and commercial properties agency services



An affiliate of the Company, providing one-stop independent financial planning consultancy services with various wealth management products



Provision of immigration consultancy services in Hong Kong and Macau



Provision of professional surveying consultancy services including valuation advisory, project and development, sales and marketing, tender and auction



Group's training centre with the vision to strengthen the professionalism of employees, to lead the market as well as to cultivate elite people for the industry



A joint venture with a major developer, offering free mortgage referral services as well as provision of related information

# Major Events and Awards for the Year

## Clinching the “Henderson Best-Selling Award”, Seven Years in a row

In 2010, Midland Realty was awarded the “Gold Award” by Henderson Land Development Company for seven consecutive years. The award embodied its leading position.



### Strategic Planning Meetings

The management of the Group meets regularly to review and formulate corporate and development strategies.



### Opinion Leader

As opinion leader, the Group urged the government not to shut out legitimate property buyers with cooling measures. Meantime, the Group organised the “One person one letter” program to help potential buyers, home-owners and property agents to express their concerns.



### Annual Dinner

The 38th annual dinner carrying the theme of “Flying High, Glory to Shine” was well-attended by representatives from land developers, financial institutions, media companies and legal firms.



Major Events and Awards for the Year

**Executive Director, Ms. WONG Ching Yi, Angela was awarded "Entrepreneurs of Tomorrow"**

Recognition from generation to generation. After Mr. WONG Kin Yip, Freddie, the Chairman and the Managing Director of the Company, won "The 10 Outstanding Entrepreneurs Awards 2008", Ms. WONG Ching Yi, Angela, the Executive Director of the Company was awarded "Entrepreneurs of Tomorrow", extending the aspiration of "prosperity with property".



**Well-attended property market seminar**

Last March, the Group held the "biggest" property seminar in Hong Kong which attracted an audience of 1800.



**Expanding Branch Network**

The Group expanded its branch network in 2010 and installed "Touch Screen Information Service" at the shop front.



**Morale-boosting**

To lift up the morale of the high performing staff, Mr. WONG Kin Yip, Freddie, the Chairman and the Managing Director of the Company, and the senior management joined the "Magic Dinner" with the Group's elites.



**Distinguished Salesperson Award**

The outstanding performers of the Group clinched the 42nd Distinguished Salesperson Award which recognised the excellent sales skills of our staff.



**Elite Club**

The Elite Club is for the finest group of salespersons who were regarded as role models in the industry.



Major Events and Awards for the Year

**Perfect Life Award**

The Group won “the Outstanding Brand” and “Best Agency Service in Mainland China” from “Wen Wei Po Perfect Life Award”



**Fourth sponsorship of the Midland Holdings Cup Race Day**

Following the sponsorship for the race day in 2004, 2005 and 2009, the Group sponsored the event in 2010 for the fourth time. The event has drawn market attention to “Legend of the White Horse”.



**The Midland Holdings Cup Race Day**

Midland Holdings Cup Race Day was held on 19 December 2010. The high turnout of city celebrities and renowned investors bore testimony to recognition of our standing in the industry and the community.



**Promoting property market education via multi-media**

Once again, the Group sponsored a new series of “Living Up”, a very popular TV program by TVB of Hong Kong with an aim of promoting property market education through high rating mass media.



**Capital CEO 2010 Supreme Brands Awards**

Midland Realty won the “Capital CEO 2010 Supreme Brands Awards—the best property agent”, the only property agent clinching the award. The Group has launched strong promotion campaigns, which were well recognized by the industry.



**Supreme Brands in Asia 2010**

Midland Realty won “Supreme Brands in Asia 2010” award— The Best Property Agent” by Express Weekly Magazine.



Major Events and Awards for the Year

Speaking at IFPHK seminar

The Group was invited by the “Institute of Financial Planners of Hong Kong” to speak on property market development.



Launched New Apps

To cope with the market needs, the Group launched applications for iPhone and Android to meet customer demand for timely dissemination of market intelligence, thus making the industry more professional and well-equipped with cutting edge technology.



Participated the exhibition organised by Economic Synergy

Recognising the importance of property market education, the Group always encourages potential first-time buyers to do more preparatory work before entering the market. The Group participated the exhibition organised by “Economic Synergy” and the purpose of the event was to encourage the young buyers to learn more about the market.



The First “ERB Manpower Developer Award Scheme - Manpower Developer”

Committed to fostering professional training, the Group was conferred as “Manpower Developer” by Employees Retraining Board.



Hong Kong – Macau Head hunting

To attract potential employees, the Group organised recruitment exhibitions in Hong Kong and Macau.



Pioneering “Recruitment on wheels”

The “Recruitment on wheels”, first of its kind in Hong Kong, visited most of the districts to launch recruitment campaigns.



# Chairman's Statement



## Flying High Leading the Market to Shine

### REVIEW

Revenue for the Group rose 10% from 2009 to HK\$3,736,952,000 in the twelve months ended 31 December 2010. Profit for the year, however, declined 20% to HK\$567,949,000 on government frequent intervention in China property market which affected our mainland operations and intensified competition in Hong Kong's real estate agency industry.

#### Strategy of diversification pays off

During the reporting year, a number of major projects that Midland Realty brokered in the primary market helped it make a mark. For the seventh year in a row, Midland Realty was given a "Gold Award" by Henderson Land Development Company for its efforts in brokering home sales. What's more, Midland Realty was recognised by various developers for having achieved the highest sales volume in a number of major residential projects, namely, Valais and Yoho Midtown. Building a stronghold in Hong Kong, the Group has established longstanding and viable relationship with its clientele. As a result, we also performed well in the secondary market last year.

Riding on the prowess we made in the market in 2009, the Group continued to go on the offensive last year with a flexible promotion strategy. As a matter of fact, we have adopted a diversified approach to marketing. Besides television commercials, image advertisements in magazines and large-scale property seminars, Midland Realty also sponsored Television Broadcasting Limited's production of a new series of "Living Up" infotainment programme. In addition, our sponsorship of the "Midland Holdings Cup Race Day" also became a popular social event among celebrities in the city.

Increased brand recognition had helped boost sales in the segment of big-ticket transaction. Last year, Midland Realty joined force with Midland IC&I in brokering some major sale transactions last year, notably, the entire building at 69 Jervois Street, Sheung Wan and the building at 14 – 16, Hankow Road, Tsimshatsui. The first fetched HK\$650 million while the latter, HK\$1.38 billion. Not only did these embody its strengths in residential market, but also the solid market position in the commercial sector.

## Chairman's Statement

### Competition on the rise

Despite intensifying competition, the Group was able to leverage its strong position in the market to raise its revenue. Doubtless, the local property scene performed better last year than the year before. But that also set the stage for a more challenging operating environment. To begin with, Government policies brought a lot of volatility to the property market, making it difficult to operate our business on a day-to-day basis. More importantly, small-and-mid-sized brokerages expanded considerably last year. A tally by the Estate Agents Authority shows that licensed real estate brokerages increased by 941 or 20% to 5,601 shops in 2010 while the number of total licensees rose 21% to 31,306 persons.

Although the smaller brokerages turned active, the Group continued to have a branding advantage. In fact, having expanded its market position over the past decades, the Group was well prepared for the rising challenge. When the local property market peaked in 1997, the total value of property transactions amounted to HK\$868 billion. That year, the Group's revenue was HK\$1.77 billion. By comparison, the Group's revenue for 2010 was 111% more than that in 1997, whereas property sales for the entire market were just HK\$689.48 billion during the year. This was evidence indeed that the Group's market position has increased considerably over the past decade.

### Enhancing operational efficiency

Recognising that competition was on the rise, the Group established the Chairman's Office to strengthen its management capacity some years ago. And Central Professional Units was also formed to raise the service quality and professional standards. Last year, we stepped up our efforts in network and manpower expansion. I met regularly with the senior management and the agents to map out strategic directions. For instance, at a "Magic Dinner", a corporate event, I led senior management to recognise top performers as a means to boost staff morale. Under the shadow of cooling measures implemented by the government, however, our performance on the mainland last year did not match that of 2009. Even so, we are aware of the huge potentials of mainland market and boosted our management resources. In the fourth quarter, we gave Ms. IP Kit Yee, Kitty, the Executive Director of the Company, the additional responsibility of supervising the mainland's back office and put Mr. CHEUNG Kam Shing, the Consultant (Group) of the Group, in charge of the Group's mainland affairs. We hope this management maneuver will strengthen the management team of our mainland division.

### OUTLOOK

Thanks to the global economic recovery, Hong Kong's gross domestic product gained 6.8% in 2010. The unemployment rate also came off from the peak of the global financial crisis. In the coming year, the Group expects that mainland China and the rest of Asia will retain last year's momentum in economic recovery to benefit Hong Kong. In this light, if interest rates stay low, the local property market will benefit.

On the other hand, we are aware of uncertainties prevailing on the global scene. First, local mortgage rates are subject to upward pressure. Moreover, the Government has indicated that it might launch more cooling measures on the market anytime. Competition within the industry is also on the rise. Having ridden out various boom-and-bust cycles over the years, management is well prepared to handle volatilities both in the market and on the politico-economic level. I believe that with management and staff pulling together, the Group will meet challenges with adequate resources and flexibility to strengthen its market position in the year 2011.

### Public policy to sway market direction

Since hitting the trough in mid-2003, local property prices have risen about 200%. Given the rebounding economy and the low interest rate environment, the property market is well supported. But fears of overheating have led the Government to introduce a number of cooling measures since the fourth quarter of 2009. Even though the property market continued to trend up last year, in the face of increased volatility, the pace and degree of expansion fell short of the 2009 levels. On the whole, the volume of property transactions rose in 2010, but the activity level was as erratic as market sentiment. It was certainly more challenging to operate in such an environment.

It is noteworthy that the Government has made public its increasing resolve to rein in the property market to prevent an asset bubble. Intervention has been more frequent and more aggressive. The special stamp duty introduced last November, for instance, has curbed essentially short-term flipping activities, leaving mainly end-users in the market. Having said that, housing needs of the genuine buyers coupled with strong offshore demand is expected to lend support to the home sector.

Probably with this in mind, the Government said in its just released Budget that it would increase substantially the supply of land, enough to build between 30,000 to 40,000 private residential units. This is further proof of its resolve to stabilise the market. Since the property market has started to show irrational exuberance, we believe that the Government will remain vigilant and launch more measures when necessary. We

## Chairman's Statement

shall keep a close tab on the market as well and strengthen intra-group communication and interaction between senior management and front-line staff. This way, the entire Group will be better equipped to face issues that tightening controls bring.

### Uncertainties to temper global outlook

The Group is of the opinion that this year, mainland China and the rest of Asia is expected to expand on last year's momentum. Last year, the mainland's GDP gained 10.3%. Going by the recently announced 12th Five-year Plan, the mainland's economy is believed to go from strength to strength. As an international financial centre in the area, Hong Kong looks set to benefit more. However, economic recovery in Europe and America remains fragile. The problem of sovereign debts in some Eurozone countries is yet to be resolved while unemployment stays high in America. On top of all this is the recent surge in oil prices brought on by political upheavals in North Africa and the Middle East. Hong Kong definitely will be brought to the test, given the open nature of its economy.

Meanwhile, the "quantitative easing" policy that the United States continues to adopt has flooded global markets further with liquidity. Inflation is becoming a clear and present danger in Asia. A number of Hong Kong's neighbors already have introduced policies in anticipation. For the same reason, mainland government launched curbs on property trading and started to raise interest rates. In the long run, this will help bring about orderly growth in the market. But in the near term, our operations on the mainland will be affected.

### 'Flying White Horse' to lead the herd

While demand for homes remains strong in Hong Kong, the market is swayed increasingly by Government policies so that buy-sell activities fluctuate. Add the faltering pace of economic recovery in the Western world and political turbulence in the Arab world and one can predict greater uncertainties ahead for both the local economy and the property market. In addition, the daily operations will also be affected by the implementation of minimum wage ordinance. Despite rising uncertainties, the Group will continue to apply a wide range of strategies at its disposal to respond promptly and creatively to market changes and rising competition. For instance, in the fourth quarter last year, in response to market competition, the commission rate for front-line sales staff was adjusted. Morale was raised as a result.

Placing importance on branding has paid off. During the year, the Group won the "2010 CEO Supreme Brand Awards". Our "Legend of the White Horse" television commercial series tell of the ups and downs of the Hong Kong property market. The series start off with a white horse "pacing the meadows" to describe how the market emerged from the doldrums of 2003. Then the horse galloped right up to the cliff and stopped. That is the scene to depict that the Group expressed doubt over the sustainability of the market before the onset of the global financial crisis in 2008. Then the white horse grew wings and took flight as a Pegasus, signifying the market recovering from the financial tsunami. In the series produced for last year, the white horse galloped high in the sky, symbolising that the Group was full of confidence in the property market in 2010. The image of Midland Holdings is now associated with the different postures of the white horse in the TVC. In good times and bad times, the Group can use the flying white horse image to reinforce its leading position in the industry. This, we believe, will be a definite advantage when it comes to recruiting new blood and attracting new clientele.

In addition, the Group's members launched some new communication services, including applications for i-Phone and Android platforms to meet customer demand for timely dissemination of market intelligence, thus further reinforcing our leadership. We plan to devote more resources to improve the quality of our mobile communication to sharpen our competitive edge.

### Note of thanks

Last but not least, on behalf of the Board, I would like to thank each and every staff member for a job well done. The increase in revenue last year was wrought with much effort, given repeated Government intervention in the market. Increasing competition also added to the challenge, keeping all staff – from senior executives to junior operatives – on their toes. Despite such pressure, our colleagues were able to carry out their duties diligently, keep up the spirit and stay earnest and energetic. They were devoted 100% and were immensely resourceful. We have them to thank for the Group's respectable performance.

**WONG Kin Yip, Freddie**

*Chairman and Managing Director*

Hong Kong, 17 March 2011

# Profile of Directors and Management Executives

## Executive Directors

### Mr. WONG Kin Yip, Freddie

aged 61, is the Founder, Chairman and Managing Director of the Company. He established the Company in 1973 and has been the Chairman of the Company since 1993. Mr. WONG is responsible for formulating the overall corporate directions and corporate strategies of the Group, and leading the Group's management team. Mr. WONG has over 37 years of experience in the real estate agency business in overseas, China and Hong Kong. Introducing mortgage referral services to Hong Kong, he is a pioneer in the mortgage brokerage business. Mr. WONG is the vice president of The Association of Hong Kong Professionals, and the chairman and permanent director of Midland Charitable Foundation Limited. In addition, Mr. WONG was a member of The Shenzhen Committee of the Chinese People's Political Consultative Conference, PRC from 2005 to 2010, a board member of the Estate Agents Authority in Hong Kong from 2006 to 2010, and also a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for the year 2006 and 2007. Mr. WONG is the chairman of the Nomination Committee, a member of the Remuneration Committee of the Company and a member of the Chairman's Office. Besides, he is the director of Sunluck Services Limited and Southern Field Trading Limited which have interests in the Company. Mr. WONG is the spouse of Ms. TANG Mei Lai, Metty, the Deputy Chairman and Executive Director of the Company, and the father of Ms. WONG Ching Yi, Angela, the Executive Director of the Company.



### Ms. TANG Mei Lai, Metty

aged 55, is the Deputy Chairman and Executive Director of the Company. Ms. TANG joined the Group in 2004 and is responsible for the overall corporate development as well as investment strategy and management of the Group. She is the director of various members of the Group. Ms. TANG is involved in charity activities. She is currently the Honorary Member, the President and a director of Midland Charitable Foundation Limited. Ms. TANG has been the Chairman and Managing Director of Midland IC&I Limited, the Company's listed subsidiary, since 2008. She is the spouse of Mr. WONG Kin Yip, Freddie, the Chairman and Managing Director of the Company, and the mother of Ms. WONG Ching Yi, Angela, the Executive Director of the Company.

## Profile of Directors and Management Executives

### Mr. WONG Kam Hong

aged 48, has been the Senior Executive Director of the Company since September 2008. Mr. WONG joined the Group in April 2008 as the Chief Executive Consultant and was the Deputy Managing Director of the Group from 2001 to 2003. He has solid business experience and a strong background in real estate agency, securities and media industries. Mr. WONG is responsible for assisting the Chairman of the Company in formulating, overseeing and implementing the corporate strategies of the Group. Mr. WONG is also a director of mReferral, a joint venture of the Group with a leading developer. In addition, he is a director of Midland Charitable Foundation Limited. He is also a member of the Chairman's Office. Mr. WONG holds a bachelor's of social science (honors) degree from Hong Kong Baptist College and a master's degree in business administration from The University of Wales, UK.



### Ms. WONG Ching Yi, Angela

aged 30, has been the Executive Director of the Company since March 2008. She assists in formulating and implementing the Group's overall corporate strategies in order to enhance the efficiencies and effectiveness of the Group and is responsible for corporate development of the Group. Ms. WONG is also responsible for overseeing the overall finance and accounting, marketing, company secretarial function, information technology and investor relations. Ms. WONG is also the director of various members of the Group, including mReferral, a joint venture of the Group with a leading developer. In addition, she is a member of the Chairman's Office. Ms. WONG is a member of the Hong Kong Institute of Certified Public Accountants. She graduated from The University of Hong Kong with a bachelor's degree in business administration (accounting and finance) and also holds a master's degree in business administration from Hong Kong University of Science and Technology. Prior to joining the Group, she worked for PricewaterhouseCoopers, an international accounting firm, for several years. She is a director and the Vice President of Midland Charitable Foundation Limited, the Vice Chairman of Youth Professionals Committee and a member of The Association of Hong Kong Professionals and The Y. Elites Group. She also serves on the Licensing and Practice Committee of the Estate Agents Authority. Ms. WONG is a member of the Nomination Committee of the Company. She was the Executive Director of Midland IC&I Limited, the Company's listed subsidiary, from June 2007 to March 2008. Ms. WONG is the daughter of Mr. WONG Kin Yip, Freddie, the Chairman and Managing Director of the Company and Ms. TANG Mei Lai, Metty, the Deputy Chairman and Executive Director of the Company.



## Profile of Directors and Management Executives



### Mr. CHAN Kwan Hing

aged 47, is the Executive Director of the Company. He joined the Group in 1991. Mr. CHAN is also the chief executive officer (Group Residential) of the Company. He has solid experience in the real estate agency business. Mr. CHAN is responsible for formulation and implementation of business strategies of the Group's residential agency business. He is the president of Midland Ten Million Round Table and the honorary president of Midland Elite Club. Mr. CHAN holds a master's degree in business administration.

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### Ms. IP Kit Yee, Kitty

aged 51, has been the Executive Director of the Company since October 2008. Ms. IP has been serving the Group since 1983 and is the director of various members of the Group. Ms. IP is responsible for overall corporate affairs, management and administration function of the Group. In addition, she is in charge of all aspects of training of the Group and established Midland University which is a renowned training center in the field of real estate agency. She also participates in formulating plans and policies to improve effectiveness in operation and control of the Group. Ms. IP has extensive experience in property administration and real estate agency and marketing. She is the chairman of the Remuneration Committee of the Company and a member of the Chairman's Office. Ms. IP was the Executive Director of the Company from June 1995 to September 2004 and was the Executive Director of Midland IC&I Limited, the Company's listed subsidiary, from April 2007 to October 2008.



## Profile of Directors and Management Executives

### Independent Non-Executive Directors

#### Mr. KOO Fook Sun, Louis

aged 54, has been the Independent Non-executive Director of the Company since September 2004. Mr. KOO is the founder and the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr. KOO has many years of experience in investment banking and professional accounting. He was a managing director and head of the corporate finance department of a major international bank, a director and chief executive officer of a Main Board listed company. He currently also serves as an independent non-executive director of another five companies listed on the Main Board, namely Good Friend International Holdings Inc., Li Ning Company Limited, Weichai Power Co., Ltd., Xingda International Holdings Limited, and Richfield Group Holdings Limited. Mr. KOO was the independent non-executive director of Midland IC&I Limited, the Company's listed subsidiary, from June 2005 to June 2008, and China Communications Construction Company Limited from December 2006 to December 2009, a company listed on the Main Board. In addition, Mr. KOO was also the vice chairman and chief financial officer of 2020 ChinaCap Acquirco, Inc., a company listed on the New York Stock Exchange Amex, from October 2007 to October 2009. Mr. KOO graduated with a bachelor's degree in business administration from the University of California at Berkeley, and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. KOO has also been the chairman of the Audit Committee of the Company and a member of the Remuneration Committee and Nomination Committee of the Company.



#### Mr. SUN Tak Chiu

aged 47, has been the Independent Non-executive Director of the Company since September 2004. Mr. SUN has over 24 years of experience in the fields of accounting, securities industries and corporate finance. Mr. SUN holds a bachelor's degree in laws and a master's degree in business administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Chartered Association of Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities Institute. Mr. SUN has also been appointed as a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.



## Profile of Directors and Management Executives

### Mr. WANG Ching Miao, Wilson

aged 49, has been the Independent Non-executive Director of the Company since September 2004. Mr. WANG has over 20 years of experience in the field of optical products manufacturing. Mr. WANG is the founder of and is currently the managing director of Ginfax Development Limited which is engaged in the business of optical products manufacturing. Mr. WANG has also been appointed as a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.



## MANAGEMENT EXECUTIVES

### Mr. CHEUNG Kam Shing

aged 47, has been appointed as the Consultant (Group) of the Group since November 2008. Mr. CHEUNG is responsible for the strategic development and daily operation of the China division "Midland China". Having 26 of years experience in the real estate industry, Mr. CHEUNG had served the Group for 20 years and was the Executive Director of the Company from June 1998 to November 2005. Mr. CHEUNG is currently the director of Hong Kong Property Services (China) Limited, the subsidiary of the Company.



### Mr. WONG Tsz Wa

aged 47, has been the Executive Director and the Chief Executive Officer of Midland IC&I Limited ("Midland IC&I"), the Company's listed subsidiary, since June 2007. He is responsible for Midland IC&I's overall business strategy and development and implementation of corporate strategies and policy in achieving the overall business objectives. Mr. WONG is also responsible for overseeing the frontline sales force, surveying, public relations and marketing functions of Midland IC&I. Mr. WONG joined the Group in 1993 and joined Midland IC&I in 2007. He holds a master's degree in business administration. He has over 23 years of experience in non-residential property agency business in Hong Kong. Mr. WONG is also the member of the Remuneration Committee and Nomination Committee of Midland IC&I, and is the director of various members of Midland IC&I.



## Profile of Directors and Management Executives

### Mr. MOK Ka Fai

aged 41, is the Chief Financial Officer of the Group. He is responsible for the operations of finance, accounting and treasury functions. He is also a member of the Chairman's Office. Mr. MOK joined a joint venture of the Group in 2000 and has been appointed to the current position since September 2010. He has over 20 years of experience in the field of accounting and auditing. Mr. MOK graduated from The University of Hong Kong with a bachelor degree in business administration. He is a member of the Hong Kong Institute of Certified Public Accountants as well as a fellow member of Association of Chartered Certified Accountants.



### Mr. TSE Tsz Man, Gordon

aged 42, is the Senior Director (Corporate Development) of the Group. He joined the Group in 1996. He is responsible for the operations of investor relations and information technology. Mr. TSE is also responsible for the integration among different business activities. He is a member of the Chairman's Office and is the director of various members of the Group. Mr. TSE holds a bachelor's degree in business administration from Simon Fraser University, Canada, and a master's degree in business administration from The University of Hong Kong.



# Corporate Governance Report

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

## Corporate Governance Practices

The Company has complied with 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2010, 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 as explained below.

## Board of Directors

### (i) Board Responsibilities and Delegation

The Board is responsible for the management of the Company including, inter alia, formulating business strategies, directing and overseeing the Group's affairs, approving interim and annual results and other disclosures to the public or regulators, considering dividend policy, and approving the grant of share options or change in the capital structure of the Company. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the Executive Committee of the Company.

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

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

### (ii) Board Composition

The Board currently comprises nine Directors with six Executive Directors and three Independent Non-executive Directors. The composition of the Board is set out as follows:

#### Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman and Managing Director*)

Ms. TANG Mei Lai, Metty (*Deputy Chairman*)

Mr. WONG Kam Hong

Ms. WONG Ching Yi, Angela

Mr. CHAN Kwan Hing

Ms. IP Kit Yee, Kitty

## Corporate Governance Report

**Board of Directors (Continued)****(ii) Board Composition (Continued)****Independent Non-executive Directors**

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

Save and except Mr. WONG Kin Yip, Freddie is the spouse of Ms. TANG Mei Lai, Metty and is the father of Ms. WONG Ching Yi, Angela, none of the members of the Board is related to one another.

The biographical details of the Directors are set out in the section of "Profile of Directors and Management Executives" on pages 12 to 17 of this Annual Report.

**(iii) Chairman and Chief Executive Officer**

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.

**(iv) Board Meetings and Directors' Attendance**

During the year ended 31 December 2010, the Board held four meetings to discuss and approve the interim and final results and other significant issues of the Group. At least a 14-day notice of all regular Board meetings was given to Directors, who were given the opportunity to include matters in the meeting agenda. Directors' attendance records at the Board and Committee meetings are set out on page 22 of this Annual Report.

**(v) Independent Non-executive Directors**

All Independent Non-executive Directors, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, have been appointed for a specific term of one and a half years, two years and one year respectively. They are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years in accordance with the by-laws of the Company.

Throughout the year ended 31 December 2010 and up to the date of this Annual Report, the Board at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Board has received from each Independent Non-executive Director an annual written confirmation of his independence and considers all Independent Non-executive Directors to be independent to the Company.

## Corporate Governance Report

### Board Committees

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

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

#### (i) Executive Committee

The Executive Committee was established on 21 September 1999 and consists of all Executive Directors as members. The Executive Committee has the authority delegated by the Board to approve matters relating to the daily operations and management and business affairs of the Group, and also the approval of certain corporate actions of the Company.

#### (ii) Audit Committee

The Audit Committee was established on 4 August 1998 and is chaired by Mr. KOO Fook Sun, Louis with two other members namely, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, all of whom are Independent Non-executive Directors. In compliance with Rule 3.10(2) of the Listing Rules, two of the members possess the appropriate professional qualifications or accounting or related financial management expertise. Written terms of reference of the Audit Committee is accessible on the website of the Company.

During the year ended 31 December 2010, the Audit Committee held two meetings to discuss and review the interim and annual financial statements, the submission and publication of the interim and annual reports, and the internal audit plan and functions of the Group. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

The major duties of the Audit Committee include:

- reviewing the Group's annual and interim financial statements and the interim and annual reports before submission to the Board for approval;
- reviewing the financial reporting obligations and considering any matters raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or external auditor;
- reviewing and monitoring the independence and objectivity of the external auditor, and the effectiveness of the audit process in accordance with applicable standards;
- approving the remuneration and terms of engagement of external auditor and making recommendation on the appointment, re-appointment or removal of the external auditor;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective, and considering any major findings of internal control matters; and
- reviewing the financial control, internal control and risk management systems of the Group and ensuring the management has discharged its duty to have an effective internal control system, in particular, the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

## Board Committees (Continued)

### (iii) Remuneration Committee

The Remuneration Committee was established on 10 March 2005 with written terms of reference posted on the website of the Company. The Remuneration Committee currently comprises five members, namely Ms. IP Kit Yee, Kitty (the chairman of the Remuneration Committee), Mr. WONG Kin Yip, Freddie, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, majority of whom are Independent Non-executive Directors.

The Remuneration Committee held one meeting during the year ended 31 December 2010 to review, inter alia, the remuneration package of all Directors and the Group's 2010 overall remuneration. The principal role and responsibility of the Remuneration Committee include reviewing and determining the remuneration policy and packages of the Directors, senior management and senior executives of the Group. No Director was involved in the determination of his/her own remuneration package.

The Executive Directors, assisted by the human resources department of the Group, are responsible for reviewing all relevant remuneration data based on the market conditions as well as the performance of individuals and the profitability of the Group, and proposing to the Remuneration Committee for consideration and approval of remuneration packages of the Directors, senior management and senior executives of the Group. No Director has taken part in any discussion and determination of his/her own remuneration.

### (iv) Nomination Committee

The Company has established the Nomination Committee on 10 March 2005 with written terms of reference accessible on the website of the Company. The Nomination Committee is chaired by Mr. WONG Kin Yip, Freddie with four other members, namely Ms. WONG Ching Yi, Angela, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, majority of whom are Independent Non-executive Directors.

During the year under review, the Nomination Committee held one meeting to review the independence of the Independent Non-executive Directors and the Board composition, and to review the retirement and rotation plan of the Directors.

The principal role and responsibility of the Nomination Committee include formulating the nomination policies, reviewing the independence of the Independent Non-executive Directors and making recommendations to shareholders on Directors standing for re-election. In order to achieve a balanced and appropriately qualified Board, the Nomination Committee is also responsible for reviewing the structure, size and composition of the Board, including the skills, knowledge and experience of the Board, and advise the Board as to any changes that may be required. The Nomination Committee has the authority given by the Board to seek external professional advice in the selection and recommendation for directorship, when required, fulfilling the requirements for professional knowledge and industry experience of any proposed candidates.

## Corporate Governance Report

## Attendance Records at the Board and Committee Meetings

The attendance records of the individual Directors at the Board, Audit Committee, Remuneration Committee and Nomination Committee meetings during the year ended 31 December 2010 are set out as follows:

Directors	Board	No. of Meetings Attended/Held		
		Audit Committee	Remuneration Committee	Nomination Committee
<b>Executive Directors</b>				
Mr. WONG Kin Yip, Freddie (Chairman and Managing Director)	3/4	N/A	1/1	1/1
Ms. TANG Mei Lai, Metty (Deputy Chairman)	3/4	N/A	N/A	N/A
Mr. WONG Kam Hong	4/4	N/A	N/A	N/A
Ms. WONG Ching Yi, Angela	3/4	N/A	N/A	1/1
Mr. CHAN Kwan Hing	4/4	N/A	N/A	N/A
Mr. KWOK Ying Lung (Resigned on 15 March 2011)	4/4	N/A	N/A	N/A
Ms. IP Kit Yee, Kitty	4/4	N/A	1/1	N/A
<b>Independent Non-executive Directors</b>				
Mr. KOO Fook Sun, Louis	4/4	2/2	1/1	1/1
Mr. SUN Tak Chiu	4/4	2/2	1/1	1/1
Mr. WANG Ching Miao, Wilson	4/4	2/2	1/1	1/1

## Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

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 year ended 31 December 2010.

## Directors' Responsibility for the Financial Statements

The Directors acknowledged their responsibility, with the support from the finance department, for preparing the financial statements of the Group for the year ended 31 December 2010. The Board must ensure that the financial statements of the Group are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

The reporting responsibilities of the Company's independent auditor on the 2010 financial statements of the Group is set out in the "Independent Auditor's Report" on page 41 of this Annual Report.

## Corporate Governance Report

## Auditor's Remuneration

During the year ended 31 December 2010, the fees paid to the independent auditor of the Company in respect of audit and non-audit services provided by them are set out as follows:

	Fees paid	
	2010	2009
	HK\$'000	HK\$'000
<b>Services rendered for the Group</b>		
Audit Services	3,377	3,255
Non-audit Services (Taxation and other professional services)	1,212	1,113
	<u>4,589</u>	<u>4,368</u>
Total Fees	<u>4,589</u>	<u>4,368</u>

## Internal Control

The Board is responsible for ensuring that the Group maintains sound and effective internal control systems to safeguard the shareholders' investment and the Group's assets. The Company has from time to time reviewed the effectiveness of the internal control systems in order to ensure that they meet with the dynamic and ever changing business environment.

During the year, the Board, with the assistance of the internal audit department and the Audit Committee, has conducted reviews on the effectiveness of the Group's internal control systems.

## Shareholders' Right

The procedures for a poll voting on resolutions at shareholders' meetings are explained at shareholders' meetings. All voting of the shareholders at general meetings are taken by poll and the poll results will be posted on the websites of the Stock Exchange and of the Company.

The Company provides an opportunity to its shareholders to seek clarification and to obtain a better understanding of the Group's performance in the shareholders' meetings of the Company. Shareholders are encouraged to meet and communicate with the Board at shareholders' meetings and to vote on all resolutions.

## Investor Relations

The Company continues to enhance communications and relationships with its investors. The management maintains regular communication with the media, equity research analysts, fund managers, individual investors and institutional investors via press conference and regular meetings to keep them abreast of the Group's development.

To foster effective communications with its shareholders and investors, the Company maintains a website at [www.midland.com.hk](http://www.midland.com.hk) to provide the latest news including interim and annual reports, announcements, circulars and other information relating to the Group and its businesses to the public.

# Corporate Social Responsibility Report

## Responsibility to the community

### Midland Charitable Foundation made donation to Red Cross

■ In April 2010, the magnitude 7.1 earthquake hit Yushu County and resulted in hundred deaths and thousands injured. Wong Fuk-wing, a Hong Kong volunteer was among the victims and his act was highly praised. To continue where he left and in the same loving spirit, Midland Charitable Foundation made a donation of HK\$150,000 to “Hong Kong Red Cross Wong Fuk-wing Memorial Fund”.



### Care for Under-Privileged

■ Midland Charitable Foundation supported community development and cared about the under-privileged and made donation to non-profit making organisations such as The Hong Kong Council of the Church of Christ in China.

### Senior Management made donation to Midland Charitable Foundation

■ Mr. WONG Kam Hong, the Senior Executive Director of the Company and director of Midland Charitable Foundation has a conviction of “Society invests in You, You invest in Society”. Making the donation of HK\$500,000 in 2010, Mr. WONG Kam Hong made a contribution of another HK\$500,000 in 2011, exemplifying the charitable spirit of all employees.



### Participated Hike for Hospice Care for seven consecutive years

■ The Group participated Hike for Hospice Care for the seven consecutive years, helping the charitable organisation to devote more resources to the needy.



Corporate Social Responsibility Report

**Walk for Millions**

■ The Group supported and joined the Walks for Millions.



**Flag day organized by Tung Wah Group of Hospitals**

■ The Group sponsored the flag day organised by Tung Wah Group of Hospitals, raising fund for this 140-Year old organisation.

**Heart to Heart Company**

■ Awarded "Heart to Heart Company", the Group participated in community development. Its volunteer team joined force with voluntary workers from secondary schools to pay visit to seniors during Lunar New Year.



**Skip-A-Meal program organized by World Vision for five consecutive years**

■ For Five years in a row, the Group participated "Skip-A-Meal" program organised by World Vision.

## Responsibility to the staff

### Training programs to lift up our skills

- As a pioneer of the industry, the Group has invested massively on training and invited professionals to be our guest tutors.



## Responsibility to the environment



### Support Environmental Protection

- We supported programs to promote environmentally friendly architecture and “go-green” life style among Hong Kong’s young people. In so doing, we hoped to inspire the future generation to come with concepts of an “ideal city”.

## Responsibility to our business partners, clients and industry development

### Property Seminar held by CPA

- “Hong Kong Institute of Certified Public Accountants” held a property seminar and executive of the Group was invited to share our view.



## Corporate Social Responsibility Report

**Receiving overseas university students**

- The management of the Group was invited to give a thorough presentation on Hong Kong property market to the MBA students of the University of Wisconsin in the United States.

**Talk organised by HKUST MBA Alumni Association**

- The Group joined the talk organised by the HKUST MBA Alumni Association and shared our view on the trend of the property market.

**Launch “Power of Foresight” DVD**

- Since the general public was getting more interested in the market development, the Group launched the “Power of Foresight” DVD to help our clients to understand the market more. The DVD features the information about property market, mortgage and legal issues for free.

**Published property tool books**

- The Group published property tool books for property agents, tenants, landlords and buyers.

# Report of Directors

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2010.

## Principal Activities and Segments Information

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in note 40(i) to the financial statements in this Annual Report.

An analysis of the Group's performance for the year by business segments are set out in note 7 to the financial statements in this Annual Report.

## Results and Appropriations

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 42 of this Annual Report.

The Directors declared an interim dividend of HK\$0.268 per ordinary share for the six months ended 30 June 2010, totalling HK\$194,094,000, which was paid on Wednesday, 22 September 2010.

The Directors proposed a final dividend of HK\$0.2028 per ordinary share for the year (2009: HK\$0.438 per ordinary share) and “創業38周年” special cash bonus of HK\$0.118 per ordinary share for the year (2009: Nil) to shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 6 May 2011. Taking into account of the interim dividend, the total dividend for the year would amount to HK\$0.5888 per ordinary share, totalling HK\$426,427,000 for the year (2009: HK\$0.814 per ordinary share, totalling HK\$589,524,000), representing a decrease of approximately 28% compared with last year. Subject to approval of the shareholders at the forthcoming annual general meeting of the Company (the “AGM”), the final dividend and “創業38周年” special cash bonus will be paid on or around Friday, 13 May 2011.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements in this Annual Report.

## Charitable Donation

During the year, the Group made charitable donation totalling HK\$1,756,000.

## Fixed Assets

Details of movements in fixed assets of the Group during the year are set out in notes 17 to 19 to the financial statements in this Annual Report.

## Investment Properties

Details of the properties held for investment purposes are set out on pages 102 to 103 of this Annual Report.

## Share Capital

Details of movements in share capital of the Company during the year are set out in note 30 to the financial statements in this Annual Report.

## Report of Directors

### Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the laws of Bermuda.

### Distributable Reserves

As at 31 December 2010, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$481,805,000.

### Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104 of this Annual Report.

### Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2010.

### Re-election of Directors

During the year and up to the date of this Annual Report, the Directors were as follows:

#### Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman and Managing Director*)

Ms. TANG Mei Lai, Metty (*Deputy Chairman*)

Mr. WONG Kam Hong

Ms. WONG Ching Yi, Angela

Mr. CHAN Kwan Hing

Mr. KWOK Ying Lung (*Resigned on 15 March 2011*)

Ms. IP Kit Yee, Kitty

#### Independent Non-executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

According to bye-law 87 of the Company's bye-laws, Ms. IP Kit Yee, Kitty, Mr. KOO Fook Sun, Louis and Mr. SUN Tak Chiu will retire by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

### Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

### Directors' Interests in Contracts

Save as disclosed in this Annual Report, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2010.

## Report of Directors

## 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.

**(b) Eligible persons**

- (i) any employee (whether full or part time and including executive director) of any member of the Group or any Invested Entity; or
- (ii) any non-executive director (including independent non-executive director) 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 Annual 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.

**(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.

## Report of Directors

## Share Option Schemes (Continued)

## Midland Share Option Scheme (Continued)

**(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.

**(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.

**(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.

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

Name	Date of grant	Exercise price per share HK\$	Number of share options				Exercisable period
			Balance outstanding as at 1 January 2010	Granted during the year	Exercised/ cancelled/ lapsed during the year	Balance outstanding as at 31 December 2010	
<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 (Note 1)
	22 October 2007	7.858	3,654,487	–	–	3,654,487	1 August 2008 to 31 July 2011
<b>Total</b>			<b>7,308,974</b>	<b>–</b>	<b>–</b>	<b>7,308,974</b>	

Note:

1. The share option was lapsed on 1 February 2011.

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

## Report of Directors

## Share Option Schemes (Continued)

### Midland IC&I Limited Share Option Scheme

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 (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 Annual 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.

**(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.

## Report of Directors

**Share Option Schemes (Continued)****Midland IC&I Limited Share Option Scheme (Continued)****(f) Time of exercise of option**

An option may be exercised in accordance with the terms of the Midland IC&I Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the Midland IC&I Board to each eligible person who accepts an offer in accordance with the terms of the Midland IC&I Share Option Scheme, provided that it shall commence on a date not more than ten years from the date of grant.

**(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 year.

## Report of Directors

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

As at 31 December 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 pursuant to the Model Code were as follows:

Name of Directors	Personal Interests	Corporate Interests	Number of Ordinary Shares			Percentage of Shareholding
			Family Interests	Underlying Shares	Total	
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. As at the date of this Annual Report, share option of 3,654,487 shares was lapsed.

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

Save as disclosed above, as at 31 December 2010, 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).

## Report of Directors

## Directors' Rights to Acquire Shares or Debentures

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

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

As at 31 December 2010, the interests and 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 Shareholdings
Marathon Asset Management LLP	83,757,000 (L)	Investment manager	11.56%
JP Morgan Chase & Co.	1,218,000 (L)	Beneficial owner	0.17%
	4,706,000 (L)	Investment manager	0.65%
	1,200,000 (S)	Beneficial owner	0.17%
	109,836,532 (P)	Approved lending agent	15.17%
Baillie Gifford & Co	21,704,000 (L)	Investment manager	3.00%
	22,436,000 (L) (Note 1)	Interest in controlled corporation	3.10%
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%
Third Avenue Management LLC, on behalf of numerous portfolios	42,420,000 (L)	Investment manager	5.86%

## Report of Directors

## Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures (Continued)

Name of Substantial Shareholders	Number of Ordinary Shares	Capacity	Percentage of Shareholdings
Invesco Hong Kong Limited (in its capacity as manager/advisor of various accounts)	39,356,000 (L)	Investment manager	5.43%
UBS AG	7,111,844 (L)	Beneficial owner	0.98%
	8,196,000 (L)	Security interest	1.13%
	24,770,000 (L)	Interest in controlled corporation	3.42%
	4,035,548 (S)	Beneficial owner	0.56%
	24,272,000 (S)	Interest in controlled corporation	3.35%
Capital Research and Management Company	36,489,000 (L)	Investment manager	5.04%

Remark: (L) – Long Position, (S) – Short 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.

### Management Contracts

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

### Major Customers and Suppliers

Sales to the five largest customers accounted for less than 30% of the total sales for the year.

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

### Related Party Transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under note 39 to the financial statements in this Annual Report.

Some of these transactions also constitute "Connected Transaction" (including "Continuing Connected Transaction") under Chapter 14A of the Listing Rules, as identified below.

## Report of Directors

## Connected Transactions

### Continuing Connected Transactions

- (a) A tenancy agreement was made on 6 January 2011 between Midland Leasing (XXIV) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company incorporated in the British Virgin Islands (the "BVI") and wholly-owned by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), as landlord whereby the landlord agreed to lease a premises located at Flat D on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a shop for a term of two years commencing from 10 January 2011 to 9 January 2013 at a monthly rental of HK\$50,000.
- (b) A tenancy agreement was made on 30 April 2010 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located as Offices Nos.11-16, 7th Floor, Tower B, Mandarin Plaza (also known as New Mandarin Plaza), No. 14 Science Museum Road, Kowloon, Hong Kong as office for a term of two years commencing from 1 May 2010 to 30 April 2012 at a monthly rental of HK\$113,166 for the first year and HK\$125,740 for the second year.
- (c) A tenancy agreement was made on 15 October 2010 between World Up Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Titan Speed Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located as Office No.910, 9th Floor, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong as an office for a term of two years commencing from 18 October 2010 to 17 October 2012 at a monthly rental of HK\$80,000.
- (d) A tenancy agreement was made on 31 March 2010 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Vision Dynasty Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Shop E on the Lower Ground Floor and Utility Room at Rear of Splendid Place, No. 39 Tai Koo Shing Road, Hong Kong as a shop for a term of two years commencing from 16 April 2010 to 15 April 2012 at a monthly rental of HK\$85,000.
- (e) A tenancy agreement was made on 15 April 2008 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Vision Dynasty Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Shop E on the Lower Ground Floor and Utility Room at Rear of Splendid Place, No. 39 Tai Koo Shing Road, Hong Kong as a shop for a term of two years commencing from 16 April 2008 to 15 April 2010 at a monthly rental of HK\$85,000.
- (f) A tenancy agreement was made on 30 October 2009 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Shop E on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a shop for a term of two years commencing from 1 November 2009 to 31 October 2011 at a monthly rental of HK\$48,000.
- (g) A tenancy agreement was made on 30 October 2009 between Main Dynasty Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Goal Precise Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Shop F on the Lower Ground Floor of Splendid Place, No.39 Tai Koo Shing Road, Hong Kong as a shop for a term of two years commencing from 1 November 2009 to 31 October 2011 at a monthly rental of HK\$69,000.

## Report of Directors

**Connected Transactions (Continued)****Continuing Connected Transactions (Continued)**

- (h) A tenancy agreement was made on 30 October 2009 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Unit No.4 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as an office for a term of two years commencing from 1 November 2009 to 31 October 2011 at a monthly rental of HK\$33,600.

**Connected Transactions**

- (i) As disclosed in an announcement dated 21 January 2011, the Group entered into 5 agreements respectively with the companies beneficially owned by Mr. WONG and/or his associates for the provision of estate agency services by the Group within the period from 13 August 2010 to 21 January 2011. The total agency fee was amounted to about HK\$4,111,008.
- (j) As disclosed in an announcement dated 30 July 2010, the Group entered into 29 agreements respectively with the companies beneficially owned by Ms. TANG Mei Lai, Metty and/or her associates for the provision of estate agency services by the Group within the period from 16 August 2009 to 23 July 2010. The total agency fee was amounted to about HK\$3,502,211.
- (k) As disclosed in an announcement dated 18 December 2009, the Group, through Astra Profits Limited, a wholly-owned subsidiary of the Company as the vendor, entered into an agreement with Leading Win Worldwide Limited, a company wholly-owned by Mr. WONG as purchaser, on 17 December 2009 for the disposal of Best Chance Realty Limited, an indirect wholly-owned subsidiary of the Company which holds two apartments in Shenzhen, the People's Republic of China, for a total consideration of HK\$9,480,000 (the "Disposal"). The Disposal has brought a good opportunity to the Group to realise the capital investment in the two apartments at a reasonable price. The Disposal was completed on 29 January 2010.

The Independent Non-executive Directors have reviewed the continuing connected transactions mentioned above pursuant to Rule 14A.37 of the Listing Rules and confirmed that, the continuing connected transactions have been entered into:

- i. in the ordinary and usual course of the business of the Group;
- ii. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and
- iii. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the independent shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 37 to 38 of this Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## Report of Directors

### Retirement Scheme

Details of the Group's retirement scheme are set out in note 9 to the financial statements in this Annual Report.

### Principal Subsidiaries, Jointly Controlled Entities and an Associated Company

Details of the Company's principal subsidiaries, jointly controlled entities and an associated company as at 31 December 2010 are set out in note 40 to the financial statements in this Annual Report.

### Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings as at 31 December 2010 is set out in notes 33 and 24 to the financial statements in this Annual Report.

### Emolument Policy

The emoluments of the Directors are determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input to the Group's affairs, as well as the Group's performance and remuneration policy.

### Directors' Interest in Competing Business

None of the Directors has an interest in any business constituting a competing business to the Group.

### Public Float

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

### Auditor

The financial statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, will offer themselves for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint them and to authorise the Directors to fix their remuneration.

On behalf of the Board

**WONG Kin Yip, Freddie**

*Chairman and Managing Director*

Hong Kong, 17 March 2011

# Management Discussion and Analysis

## Liquidity, Financial Resources and Funding

As at 31 December 2010, the Group had cash and bank balances of HK\$1,601,926,000 (2009: HK\$1,477,419,000), whilst bank loans amounted to HK\$12,663,000 (2009: HK\$22,493,000). The Group's bank loans were secured by certain land and buildings held by the Group of HK\$27,441,000 (2009: secured by certain land use rights, land and buildings of HK\$46,637,000) and with maturity profile set out as follows:

Repayable	2010 HK\$'000	2009 HK\$'000
Within 1 year	853	1,915
After 1 year but within 2 years	870	1,986
After 2 years but within 5 years	2,716	6,405
Over 5 years	8,224	12,187
	<u>12,663</u>	<u>22,493</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.

As at 31 December 2010, the Group had unutilised banking facilities amounting to HK\$188,156,000 (2009: HK\$ 224,940,000) 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 31 December 2010, the gearing ratio of the Group was 0.67% (2009: 1.24%). The gearing ratio is computed on the basis of total bank loans divided by 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 2.2 (2009: 2.4).

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

## Capital Structure and Foreign Exchange Exposure

During the year ended 31 December 2010, 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.

## 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 31 December 2010, the Group employed 7,747 full time employees of which 6,677 were sales agents, 567 were back office supportive employees and 503 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.

# Independent Auditor's Report



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
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Central, Hong Kong  
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www.pwchk.com

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF MIDLAND HOLDINGS LIMITED**  
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Midland Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 101, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

## Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 17 March 2011

# Consolidated Income Statement

For The Year Ended 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Revenues	6	3,736,952	3,404,856
Other income	8	34,866	27,846
Staff costs	9	(2,121,894)	(1,766,467)
Rebate incentives		(243,809)	(182,422)
Advertising and promotion expenses		(119,063)	(81,119)
Operating lease charges in respect of office and shop premises		(302,833)	(251,792)
Impairment of receivables		(68,521)	(78,721)
Depreciation and amortisation costs		(34,806)	(33,315)
Other operating costs		(222,099)	(226,570)
Operating profit	11	658,793	812,296
Finance income	12	4,315	2,812
Finance costs	12	(476)	(1,264)
Share of results of			
Jointly controlled entities	23	24,227	14,124
An associated company	24	308	3,931
Profit before taxation		687,167	831,899
Taxation	13	(119,218)	(118,176)
Profit for the year		<u>567,949</u>	<u>713,723</u>
Attributable to:			
Equity holders		532,794	691,237
Non-controlling interests		35,155	22,486
		<u>567,949</u>	<u>713,723</u>
Dividends	15	<u>426,427</u>	<u>589,524</u>
Earnings per share		HK cents	HK cents
Basic	16	73.57	95.44
Diluted		73.57	95.44

# Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2010

	2010	2009
	HK\$'000	HK\$'000
Profit for the year	567,949	713,723
Other comprehensive income		
Currency translation differences	5,373	17
Change in fair value of land and buildings upon transfer of properties to investment properties	6,652	3,448
Change in fair value of available-for-sale financial assets	(877)	1,320
	11,148	4,785
Total comprehensive income for the year	579,097	718,508
Total comprehensive income for the year attributable to:		
Equity holders	543,942	696,022
Non-controlling interests	35,155	22,486
	579,097	718,508

# Consolidated Balance Sheet

As At 31 December 2010

		As at 31 December 2010 HK\$'000	As at 31 December 2009 HK\$'000 (Restated)	As at 1 January 2009 HK\$'000 (Restated)
	Note			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	17	162,416	150,495	147,810
Investment properties	18	76,095	54,870	71,400
Land use rights	19	–	23,426	23,824
Interests in jointly controlled entities	23	58,295	48,068	30,212
Interests in an associated company	24	1,270	4,162	231
Available-for-sale financial assets	25	13,927	11,851	11,949
Deferred taxation assets	34	19,141	10,840	13,629
		<u>331,144</u>	<u>303,712</u>	<u>299,055</u>
<b>Current assets</b>				
Trade and other receivables	26	1,258,827	1,114,268	698,430
Financial assets at fair value through profit or loss	27	163	174	5,278
Amount due from an associated company		–	–	9,720
Taxation recoverable		–	–	25,280
Cash and bank balances	28	1,601,926	1,477,419	941,977
		<u>2,860,916</u>	<u>2,591,861</u>	<u>1,680,685</u>
Assets held for sale	29	–	13,000	27,137
		<u>2,860,916</u>	<u>2,604,861</u>	<u>1,707,822</u>
<b>Total assets</b>		<u>3,192,060</u>	<u>2,908,573</u>	<u>2,006,877</u>

## Consolidated Balance Sheet

As At 31 December 2010

		As at 31 December 2010 HK\$'000	As at 31 December 2009 HK\$'000 (Restated)	As at 1 January 2009 HK\$'000 (Restated)
<b>EQUITY AND LIABILITIES</b>				
<b>Equity holders</b>				
Share capital	30	72,423	72,423	72,423
Share premium		247,484	247,484	247,484
Reserves	31	1,219,361	1,101,846	995,348
Proposed dividend	31	232,333	317,213	7,242
		<u>1,771,601</u>	<u>1,738,966</u>	<u>1,322,497</u>
<b>Non-controlling interests</b>		<u>110,476</u>	<u>75,321</u>	<u>52,835</u>
<b>Total equity</b>		<u>1,882,077</u>	<u>1,814,287</u>	<u>1,375,332</u>
<b>Non-current liabilities</b>				
Deferred taxation liabilities	34	<u>1,801</u>	<u>967</u>	<u>1,471</u>
<b>Current liabilities</b>				
Trade and other payables	32	1,256,857	1,008,259	602,510
Bank loans	33	12,663	22,493	18,678
Liabilities associated with assets held for sale		–	–	8,886
Amount due to an associated company	24	500	3,200	–
Taxation payable		<u>38,162</u>	<u>59,367</u>	<u>–</u>
		<u>1,308,182</u>	<u>1,093,319</u>	<u>630,074</u>
<b>Total liabilities</b>		<u>1,309,983</u>	<u>1,094,286</u>	<u>631,545</u>
<b>Total equity and liabilities</b>		<u>3,192,060</u>	<u>2,908,573</u>	<u>2,006,877</u>
<b>Net current assets</b>		<u>1,552,734</u>	<u>1,511,542</u>	<u>1,077,748</u>
<b>Total assets less current liabilities</b>		<u>1,883,878</u>	<u>1,815,254</u>	<u>1,376,803</u>

WONG Ching Yi, Angela

Director

IP Kit Yee, Kitty

Director

# Balance Sheet

As At 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Subsidiaries	21	108,501	108,501
<b>Current assets</b>			
Other receivables, prepayments and deposits	26	455	320
Amounts due from subsidiaries	22	1,959,985	1,559,474
Taxation recoverable		1,052	–
Cash and bank balances	28	777	693
		<u>1,962,269</u>	<u>1,560,487</u>
<b>Total assets</b>		<u>2,070,770</u>	<u>1,668,988</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	30	72,423	72,423
Share premium		247,484	247,484
Reserves	31	498,323	521,737
Proposed dividend	31	232,333	317,213
<b>Total equity</b>		<u>1,050,563</u>	<u>1,158,857</u>
<b>Current liabilities</b>			
Other payables and accruals	32	55,445	59,079
Amounts due to subsidiaries	22	964,762	450,366
Taxation payable		–	686
<b>Total liabilities</b>		<u>1,020,207</u>	<u>510,131</u>
<b>Total equity and liabilities</b>		<u>2,070,770</u>	<u>1,668,988</u>
<b>Net current assets</b>		<u>942,062</u>	<u>1,050,356</u>
<b>Total assets less current liabilities</b>		<u>1,050,563</u>	<u>1,158,857</u>

**WONG Ching Yi, Angela**

Director

**IP Kit Yee, Kitty**

Director

# Consolidated Statement of Changes in Equity

For The Year Ended 31 December 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 2010	72,423	247,484	1,419,059	1,738,966	75,321	1,814,287
Comprehensive income						
Profit for the year	–	–	532,794	532,794	35,155	567,949
Other comprehensive income						
Currency translation differences	–	–	5,373	5,373	–	5,373
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	–	–	(877)	(877)	–	(877)
Total comprehensive income	–	–	543,942	543,942	35,155	579,097
Transactions with owners						
2009 final dividend paid	–	–	(317,213)	(317,213)	–	(317,213)
2010 interim dividend paid	–	–	(194,094)	(194,094)	–	(194,094)
	–	–	(511,307)	(511,307)	–	(511,307)
At 31 December 2010	72,423	247,484	1,451,694	1,771,601	110,476	1,882,077
At 1 January 2009	72,423	247,484	1,002,590	1,322,497	52,835	1,375,332
Comprehensive income						
Profit for the year	–	–	691,237	691,237	22,486	713,723
Other comprehensive income						
Currency translation differences	–	–	17	17	–	17
Change in fair value of land and buildings upon transfer of properties to investment properties	–	–	3,448	3,448	–	3,448
Change in fair value of available-for-sale financial assets	–	–	1,320	1,320	–	1,320
Total comprehensive income	–	–	696,022	696,022	22,486	718,508
Transactions with owners						
2008 final dividend paid	–	–	(7,242)	(7,242)	–	(7,242)
2009 interim dividend and special cash bonus paid	–	–	(272,311)	(272,311)	–	(272,311)
	–	–	(279,553)	(279,553)	–	(279,553)
At 31 December 2009	72,423	247,484	1,419,059	1,738,966	75,321	1,814,287

# Consolidated Statement of Cash Flows

For the Year Ended 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	35(a)	762,593	819,064
Hong Kong profits tax paid		(143,075)	(29,574)
Overseas taxation paid		(4,750)	(1,670)
Interest paid		(476)	(1,264)
Net cash from operating activities		<u>614,292</u>	<u>786,556</u>
<b>Cash flows from investing activities</b>			
Net cash inflow from disposal of a subsidiary	35(b)	9,479	–
Purchase of property, plant and equipment		(50,712)	(43,470)
Proceeds from disposal of investment properties		–	30,994
Proceeds from disposal of assets held for sale		49,617	33,497
Proceeds from disposal of property, plant and equipment		74	78
Acquisition of additional interest in a jointly controlled entity		–	(11,732)
Purchase of financial assets at fair value through profit or loss		(4)	–
Purchase of available-for-sale financial assets		(3,479)	(2,319)
Proceeds from disposal of unlisted debt securities		–	11,827
Return of capital from available-for-sale financial assets		1,425	3,738
Increase in bank deposits with maturity over three months from date of deposits		(47,899)	–
Bank interest received		4,315	2,812
Dividend received from listed investments		–	69
Dividend received from a jointly controlled entity		14,000	8,000
Dividend received from an associated company		3,200	–
Net cash (used in)/from investing activities		<u>(19,984)</u>	<u>33,494</u>
<b>Cash flows from financing activities</b>			
Drawdown of bank loan		–	14,280
Repayment of bank loans		(9,830)	(19,351)
Dividends paid to equity holders		(511,307)	(279,553)
Net cash used in financing activities		<u>(521,137)</u>	<u>(284,624)</u>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		1,477,419	941,977
Exchange differences		3,437	16
<b>Cash and cash equivalents at 31 December</b>	28	<u>1,554,027</u>	<u>1,477,419</u>

# Notes to the Financial Statements

## 1 General Information

Midland Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 Company and its subsidiaries (collectively the “Group”) are provision of property agency services in Hong Kong, the People’s Republic of China (the “PRC”) and Macau.

These financial statements have been approved by the board of directors on 17 March 2011.

## 2 Basis of Preparation

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

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

### (b) Standards, interpretations and amendments 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
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

## Notes to the Financial Statements

**2 Basis of Preparation (Continued)****(b) Standards, interpretations and amendments effective in 2010 (Continued)**

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

- (i) 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 is achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date when 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.
- (ii) 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. 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.
- (iii) 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 terms 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.

## Notes to the Financial Statements

## 2 Basis of Preparation (Continued)

## (b) Standards, interpretations and amendments effective in 2010 (Continued)

(iii) (Continued)

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

- (a) 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 time when the land interest is available for its intended use over the shorter of the useful life of the asset and the lease term; and
- (b) 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.

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

	As at 31 December 2010 HK\$'000	As at 31 December 2009 HK\$'000	As at 1 January 2009 HK\$'000
Decrease in leasehold land and land use rights	(71,151)	(72,324)	(75,398)
Increase in property, plant and equipment	<u>71,151</u>	<u>72,324</u>	<u>75,398</u>

- (iv) On 29 November 2010, the HKICPA issued HK Interpretation 5 – Presentation of Financial statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. This interpretation states that liability, which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. In prior years, the Group classified the borrowings based on the maturity of the borrowings. The effective of the interpretation has resulted in a change in the accounting policy relating to the classification of borrowings as current liabilities and non-current liabilities and as a result the Group has reclassified certain borrowings from non-current liabilities to current liabilities.

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

	As at 31 December 2010 HK\$'000	As at 31 December 2009 HK\$'000	As at 1 January 2009 HK\$'000
Decrease in bank loans – Non-current liabilities	(11,810)	(20,578)	(16,956)
Increase in bank loans – Current liabilities	<u>11,810</u>	<u>20,578</u>	<u>16,956</u>

## Notes to the Financial Statements

**2 Basis of Preparation (Continued)****(c) Standards, interpretations and amendments which are not yet effective**

The HKICPA has issued a number of new or revised standards and amendments to standards which are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, relevant to the Group and have not been early adopted.

Effective for the year ending 31 December 2011

HKAS 24 (Revised) Related Party Disclosures

Effective for the year ending 31 December 2012

HKAS 12 Income Taxes (Amendment) Deferred Tax: Recovery of Underlying Assets

Effective for the year ending 31 December 2013

HKFRS 9 Financial Instruments

The Group is assessing the impact of these new or revised standards and amendments. The adoption of these new or revised standards and amendments will not result in a significant impact on the results and financial position of the Group except for the adoption of HKAS 12 (Amendment) where the Group is expected to derecognise the deferred tax liabilities arising from investment property measured at fair value and there will also be certain changes in presentation and disclosures in the financial statements.

**3 Summary of Significant Accounting Policies**

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

**(a) Consolidation**

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

**(i) Subsidiaries**

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

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

### 3 Summary of Significant Accounting Policies (Continued)

#### (a) Consolidation (Continued)

##### (i) Subsidiaries (Continued)

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

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

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

##### (ii) Associated company

An associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in an associated company are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in an associated company includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associated company's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Notes to the Financial Statements

### 3 Summary of Significant Accounting Policies (Continued)

#### (a) Consolidation (Continued)

##### (iii) Jointly controlled entities

A jointly controlled entity is a joint venture under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of post-acquisition profits or losses of the jointly controlled entities is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (b) Segment reporting

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

#### (c) Foreign currency translation

##### (i) Functional and presentation currency

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

### 3 Summary of Significant Accounting Policies (Continued)

#### (c) Foreign currency translation (Continued)

##### (ii) Transactions and balances

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

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

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

##### (iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the exchange rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

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

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

## Notes to the Financial Statements

**3 Summary of Significant Accounting Policies (Continued)****(d) Property, plant and equipment**

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

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	50 years
Leasehold land classified as finance lease	Over the period of the lease
Leasehold improvements	Over the period of the lease
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other operating cost, in the income statement.

**(e) Investment properties**

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Changes in fair values are recognised in the income statement as part of other income or other operating costs. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific property.

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

### 3 Summary of Significant Accounting Policies (Continued)

#### (e) Investment properties (Continued)

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

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

#### (f) Intangible assets

##### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment. Impairment on goodwill is not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

##### (ii) Research and website development costs

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

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

## Notes to the Financial Statements

### 3 Summary of Significant Accounting Policies (Continued)

#### (g) Impairment of investments in subsidiaries, associated company, jointly controlled entities and non-financial assets

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

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

#### (h) Financial assets

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

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

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

##### (ii) Loans and receivables

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

### 3 Summary of Significant Accounting Policies (Continued)

#### (h) Financial assets (Continued)

##### (iii) Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months from the balance sheet date and are classified as current assets.

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months of the balance sheet date.

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

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on held-to-maturity investments and available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividend on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

## Notes to the Financial Statements

### 3 Summary of Significant Accounting Policies (Continued)

#### (h) Financial assets (Continued)

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the income statement. Impairment recognised in the income statement on equity instruments are not reversed through the income statement.

#### (i) Assets held for sale

Assets are classified as assets held for sale when their carrying amounts are to be recovered principally through sale transactions and sales are considered highly probable. Except for investment properties which are carried at fair value, they are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount are to be recovered principally through sale transactions rather than through continuing use.

#### (j) Trade and other receivables

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

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

#### (k) Cash and cash equivalents

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

### 3 Summary of Significant Accounting Policies (Continued)

#### (l) Share capital

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

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs is deducted from equity.

#### (m) Trade and other payables

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

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

#### (n) Borrowings

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

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

#### (o) Taxation

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

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

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

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

## Notes to the Financial Statements

**3 Summary of Significant Accounting Policies (Continued)****(p) Employee benefits****(i) Employee leave entitlements**

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

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

**(ii) Retirement scheme obligations**

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

**(iii) Share-based compensation**

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

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

**(q) Provisions**

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

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

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

### 3 Summary of Significant Accounting Policies (Continued)

#### (r) Revenue recognition

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

Agency fee from property agency business is recognised when the services are rendered, which is generally the time when a formal agreement among the transacted parties (including the Group) is established.

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

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

Web advertising income and other services income including income from property valuation, other advertising and referral services are recognised when services are rendered.

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

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

#### (s) Operating leases

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

#### (t) Dividend distribution

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

#### (u) Contingent liabilities

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

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

## Notes to the Financial Statements

## 4 Financial Risk Management

### (a) Financial risk factors

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

#### (i) Credit risk

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

To manage this risk, the management has monitoring procedures to ensure that, follow-up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment is made for the irrecoverable amounts.

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

#### (ii) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy and has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

At the balance sheet date, if exchange rate in Hong Kong Dollars against Renminbi had been increased or decreased by 3% and all other variables were held constant, the Group's profit before taxation would increase or decrease by approximately HK\$nil (2009: HK\$64,000) for the year ended 31 December 2010.

#### (iii) Cash flow and fair value interest rate risk

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

At the balance sheet date, if interest rates had been increased or decreased by 3% and all other variables were held constant, the Group's profit before taxation would decrease or increase by approximately HK\$210,000 (2009: HK\$5,000) for the year ended 31 December 2010.

## Notes to the Financial Statements

## 4 Financial Risk Management (Continued)

### (a) Financial risk factors (Continued)

#### (iv) Liquidity risk

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

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Finance. The Group Finance invests surplus cash in interest bearing time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room for the Group to meet the liquidity requirements. At 31 December 2010, the Group held bank deposits of HK\$1,601,926,000 (2009: HK\$1,477,419,000) that are expected to readily generate cash inflows for managing liquidity risk.

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

	On demand HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 year HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
At 31 December 2010					
Trade and other payables	–	1,256,857	–	–	–
Bank loan	14,364	–	–	–	–
Amount due to an associated company	500	–	–	–	–
	<u>14,864</u>	<u>1,256,857</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2009					
Trade and other payables	–	1,008,259	–	–	–
Bank loans	25,955	–	–	–	–
Amount due to an associated company	3,200	–	–	–	–
	<u>29,155</u>	<u>1,008,259</u>	<u>–</u>	<u>–</u>	<u>–</u>

## Notes to the Financial Statements

## 4 Financial Risk Management (Continued)

### (b) Capital risk management

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

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

The Group monitors capital on the basis of the total debt to equity ratio. This ratio is calculated as total bank borrowings divided by total equity. The total debt to equity ratios at 31 December 2010 and 2009 were as follows:

	2010 HK\$'000	2009 HK\$'000
Bank loans	12,663	22,493
Total equity	1,882,077	1,814,287
Total debt to equity ratio	0.67%	1.24%

### (c) Fair value estimation

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

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

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

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes to the Financial Statements

## 4 Financial Risk Management (Continued)

## (c) Fair value estimation (Continued)

The following tables present the Group's financial instruments that are measured at fair value:

As at 31 December 2010	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets	–	13,927	–	13,927
Financial assets at fair value through profit or loss	163	–	–	163
Total	163	13,927	–	14,090

As at 31 December 2009	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets	–	11,851	–	11,851
Financial assets at fair value through profit or loss	174	–	–	174
Total	174	11,851	–	12,025

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as quoted market prices or dealer quotes for similar instruments, or discounted cash flow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## Notes to the Financial Statements

## 5 Critical Accounting Estimates and Judgements

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

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

### (i) Revenue recognition

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

### (ii) Impairment of trade receivables

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

Management reassesses the provision at each balance sheet date.

### (iii) Fair value of investment properties

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

## 6 Revenues

	2010 HK\$'000	2009 HK\$'000
Turnover		
Agency fee	3,683,019	3,347,722
Rental from investment properties	3,193	5,390
Web advertising	1,639	1,570
Internet education services	26,682	20,963
Other services	22,419	29,211
	<u>3,736,952</u>	<u>3,404,856</u>

## Notes to the Financial Statements

## 7 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 businesses which are principally located in Hong Kong, the PRC and Macau, and comprises property agency businesses for residential, commercial and industrial properties and shops, and other businesses mainly include property leasing and immigration consultancy services.

	Year ended 31 December 2010			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	3,159,618	584,200	63,466	3,807,284
Inter-segment revenues	(40,204)	(20,595)	(9,533)	(70,332)
Revenue from external customers	<u>3,119,414</u>	<u>563,605</u>	<u>53,933</u>	<u>3,736,952</u>
Segment results	<u>593,607</u>	<u>137,491</u>	<u>61,651</u>	<u>792,749</u>
Impairment of receivables	55,979	12,356	186	68,521
Depreciation and amortisation costs	30,431	2,242	936	33,609
Share of results of				
– jointly controlled entities	–	–	24,227	24,227
– an associated company	–	–	308	308
Fair value gains on investment properties	–	–	18,529	18,529
Fair value gains on assets held for sale	–	–	330	330
Additions to non-current assets	<u>48,324</u>	<u>2,290</u>	<u>98</u>	<u>50,712</u>

## Notes to the Financial Statements

## 7 Segment Information (Continued)

	Year ended 31 December 2009			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	2,959,455	439,993	67,577	3,467,025
Inter-segment revenues	(33,408)	(18,318)	(10,443)	(62,169)
Revenue from external customers	<u>2,926,047</u>	<u>421,675</u>	<u>57,134</u>	<u>3,404,856</u>
Segment results	<u>775,494</u>	<u>102,275</u>	<u>57,002</u>	<u>934,771</u>
Impairment of receivables	71,888	6,797	36	78,721
Depreciation and amortisation costs	28,132	2,068	1,909	32,109
Share of results of				
– jointly controlled entities	(1,501)	–	15,625	14,124
– an associated company	–	–	3,931	3,931
Fair value gains on investment properties	–	–	11,680	11,680
Additions to non-current assets	<u>16,294</u>	<u>3,119</u>	<u>11,781</u>	<u>31,194</u>

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, net unrealised and realised gains/(loss) 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 Financial Statements

## 7 Segment Information (Continued)

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

	2010 HK\$'000	2009 HK\$'000
Segment results for reportable segments	792,749	934,771
Corporate expenses	(110,305)	(111,143)
Net unrealised and realised (loss)/gains on financial assets at fair value through profit or loss	(15)	6,723
Realised gains on available-for-sale financial assets	899	–
Finance income	4,315	2,812
Finance costs	(476)	(1,264)
Profit before taxation	<u>687,167</u>	<u>831,899</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 and liabilities.

	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	–	–	1,270	1,270
Segment liabilities	<u>1,044,160</u>	<u>177,867</u>	<u>20,094</u>	<u>1,242,121</u>

## Notes to the Financial Statements

## 7 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	<u>1,283,667</u>	<u>375,176</u>	<u>205,830</u>	<u>1,864,673</u>
Segment assets include:				
Interests in jointly controlled entities	–	–	48,068	48,068
Interests in an associated company	<u>–</u>	<u>–</u>	<u>4,162</u>	<u>4,162</u>
Segment liabilities	<u>847,943</u>	<u>136,045</u>	<u>28,536</u>	<u>1,012,524</u>

Reportable segment assets are reconciled to total assets as follows:

	2010 HK\$'000	2009 HK\$'000
Segment assets	2,138,750	1,864,673
Corporate assets	1,020,079	1,021,035
Deferred taxation assets	19,141	10,840
Financial assets at fair value through profit or loss	163	174
Available-for-sale financial assets	<u>13,927</u>	<u>11,851</u>
Total assets per consolidated balance sheet	<u>3,192,060</u>	<u>2,908,573</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2010 HK\$'000	2009 HK\$'000
Segment liabilities	1,242,121	1,012,524
Corporate liabilities	66,061	80,795
Deferred taxation liabilities	<u>1,801</u>	<u>967</u>
Total liabilities per consolidated balance sheet	<u>1,309,983</u>	<u>1,094,286</u>

## Notes to the Financial Statements

## 8 Other Income

	2010 HK\$'000	2009 HK\$'000
Dividend income from listed investments	–	69
Fair value gains on investment properties (Note 18)	18,529	11,680
Fair value gains on assets held for sale	330	–
Gain on disposal of a subsidiary	2,719	–
Gains on disposal of investment properties	–	3,014
Gains on disposal of assets held for sale	12,389	6,360
Realised gains on available-for-sale financial assets	899	–
Unrealised and realised gains on financial assets at fair value through profit or loss	–	6,723
	<u>34,866</u>	<u>27,846</u>

## 9 Staff Costs

	2010 HK\$'000	2009 HK\$'000
Salaries and allowances	683,401	603,662
Commissions	1,378,410	1,117,486
Pension costs for defined contribution plans	60,083	45,319
	<u>2,121,894</u>	<u>1,766,467</u>

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

The Group also contributes to employee retirement schemes established by municipal governments in respect of certain subsidiaries in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the income statement as incurred.

The cost of MPF scheme charged to the income statement represents contributions paid and payable by the Group to the fund. Contributions totalling HK\$1,583,000 (2009: HK\$1,506,000) which are payable to the fund are included in other payables as at 31 December 2010.

## Notes to the Financial Statements

## 10 Directors' Emoluments and Five Highest Paid Individuals

## (a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2010 is set out below:

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance incentives HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Mr WONG Kin Yip, Freddie	–	16,773	45,436	–	12	62,221
Ms TANG Mei Lai, Metty	–	4,123	1,560	1,707	24	7,414
Mr WONG Kam Hong	–	12,089	–	4,711	12	16,812
Mr CHAN Kwan Hing	–	2,333	12,667	–	12	15,012
Ms WONG Ching Yi, Angela	–	1,162	1,136	63	12	2,373
Mr KWOK Ying Lung	–	1,224	452	–	12	1,688
Ms IP Kit Yee, Kitty	–	2,030	1,669	111	12	3,822
	–	39,734	62,920	6,592	96	109,342
<b>Independent non-executive directors</b>						
Mr KOO Fook Sun, Louis	200	–	–	–	–	200
Mr SUN Tak Chiu	200	–	–	–	–	200
Mr WANG Ching Miao, Wilson	200	–	–	–	–	200
	600	–	–	–	–	600
	600	39,734	62,920	6,592	96	109,942

## Notes to the Financial Statements

## 10 Directors' Emoluments and Five Highest Paid Individuals (Continued)

## (a) Directors' emoluments (Continued)

The remuneration of each director for the year ended 31 December 2009 is set out below:

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance incentives HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Mr WONG Kin Yip, Freddie	–	15,347	49,653	–	12	65,012
Ms TANG Mei Lai, Metty	–	3,838	1,421	1,454	24	6,737
Mr WONG Kam Hong	–	10,974	–	800	12	11,786
Mr CHAN Kwan Hing	–	2,207	12,793	–	12	15,012
Ms WONG Ching Yi, Angela	–	1,010	1,428	3	12	2,453
Mr KWOK Ying Lung	–	1,371	495	–	12	1,878
Ms IP Kit Yee, Kitty	–	1,832	1,784	3	12	3,631
	–	36,579	67,574	2,260	96	106,509
<b>Independent non-executive directors</b>						
Mr KOO Fook Sun, Louis	200	–	–	–	–	200
Mr SUN Tak Chiu	200	–	–	–	–	200
Mr WANG Ching Miao, Wilson	200	–	–	–	–	200
	600	–	–	–	–	600
	600	36,579	67,574	2,260	96	107,109

No director waived or agreed to waive any emoluments during the year (2009: Nil). No incentive payment for joining the Group was paid or payable to any directors during the year (2009: Nil). No compensation for loss of office was paid to directors during the year ended 31 December 2010 (2009: Nil).

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year are directors of the Company (2009: five) whose emoluments are reflected in the analysis presented above.

## Notes to the Financial Statements

## 11 Operating Profit

Operating profit is arrived at after charging:

	2010 HK\$'000	2009 HK\$'000
Loss on disposal of property, plant and equipment	2,505	3,384
Direct operating expenses arising from investment properties that:		
– generated rental income	407	377
– did not generate rental income	62	26
Net unrealised loss on financial assets at fair value through profit or loss	15	–
Auditor's remuneration	3,568	3,419
	<u>3,568</u>	<u>3,419</u>

## 12 Finance Income and Costs

	2010 HK\$'000	2009 HK\$'000
Finance income		
Bank interest income	4,315	2,812
Finance costs		
Interest on bank loans and overdrafts (Note)		
Wholly repayable within five years	(14)	–
Not wholly repayable within five years	(462)	(1,264)
	<u>(476)</u>	<u>(1,264)</u>
Finance income, net	<u>3,839</u>	<u>1,548</u>

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

## Notes to the Financial Statements

## 13 Taxation

	2010 HK\$'000	2009 HK\$'000
Current		
Hong Kong profits tax	126,418	109,065
Overseas	202	6,826
Deferred (Note 34)	(7,402)	2,285
	<u>119,218</u>	<u>118,176</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2010 HK\$'000	2009 HK\$'000
Profit before taxation	687,167	831,899
Less: share of results of jointly controlled entities	(24,227)	(14,124)
Less: share of results of an associated company	(308)	(3,931)
	<u>662,632</u>	<u>813,844</u>
Calculated at a taxation rate of 16.5% (2009: 16.5%)	109,334	134,284
Effect of different taxation rates in other countries	(5,210)	1,222
Income not subject to taxation	(3,625)	(2,766)
Expenses not deductible for taxation purposes	810	61
Utilisation of previously unrecognised tax losses	(1,239)	(11,623)
Tax losses not recognised	14,527	2,801
Others	4,621	(5,803)
Taxation charge	<u>119,218</u>	<u>118,176</u>

## 14 Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$403,013,000 (2009: HK\$814,559,000).

## Notes to the Financial Statements

## 15 Dividends

	2010 HK\$'000	2009 HK\$'000
Interim paid of HK\$0.268 (2009: HK\$0.176) per share	194,094	127,465
Interim special cash bonus paid of nil (2009: HK\$0.20) per share	–	144,846
Proposed final of HK\$0.2028 (2009: HK\$0.438) per share	146,874	317,213
Proposed “創業38周年” special cash bonus of HK\$0.118 (2009: Nil) per share	85,459	–
	<u>426,427</u>	<u>589,524</u>

At a board meeting held on 17 March 2011, the directors proposed a final dividend of HK\$0.2028 per share and “創業38周年” special cash bonus of HK\$0.118 per share. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

## 16 Earnings Per Share

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

	2010 HK\$'000	2009 HK\$'000
Profit attributable to equity holders	<u>532,794</u>	<u>691,237</u>
Number of shares for calculating basic earnings per share (thousands)	724,231	724,231
Effect on conversion of share options (thousands)	<u>–</u>	<u>–</u>
Number of shares for calculating diluted earnings per share (thousands)	<u>724,231</u>	<u>724,231</u>
Basic earnings per share (HK cents)	73.57	95.44
Diluted earnings per share (HK cents)	<u>73.57</u>	<u>95.44</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 year.

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. 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 year ended 31 December 2010 and 2009 did not assume the exercise of share options outstanding during the year since the exercise of share options would have an anti-dilutive effect.

## Notes to the Financial Statements

## 17 Property, Plant and Equipment

## Group

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2009						
Cost, as previously reported	21,075	156,911	50,942	149,208	4,225	382,361
Adjustment for adoption of amendment to HKAS 17	176,855	–	–	–	–	176,855
Cost, as restated	197,930	156,911	50,942	149,208	4,225	559,216
Accumulated depreciation and impairment, as previously reported	(10,405)	(130,734)	(33,404)	(132,455)	(2,951)	(309,949)
Adjustment for adoption of amendment to HKAS 17	(101,457)	–	–	–	–	(101,457)
Accumulated depreciation and impairment, as restated	(111,862)	(130,734)	(33,404)	(132,455)	(2,951)	(411,406)
Net book amount, as restated	86,068	26,177	17,538	16,753	1,274	147,810
Year ended 31 December 2009						
Opening net book amount, as previously reported	10,670	26,177	17,538	16,753	1,274	72,412
Adjustment for adoption of amendment to HKAS 17	75,398	–	–	–	–	75,398
Opening net book amount, as restated	86,068	26,177	17,538	16,753	1,274	147,810
Additions	28,924	14,024	2,350	3,088	–	48,386
Change in fair value of land and buildings upon transfer of properties to investment properties (Note 31)	3,448	–	–	–	–	3,448
Transfer to investment properties (Note 18)	(12,770)	–	–	–	–	(12,770)
Disposals	–	(1,756)	(715)	(991)	–	(3,462)
Depreciation and amortisation costs	(2,505)	(17,268)	(4,903)	(7,857)	(384)	(32,917)
Closing net book amount, as restated	103,165	21,177	14,270	10,993	890	150,495
At 31 December 2009						
Cost, as previously reported	40,497	153,464	50,603	144,985	4,225	393,774
Adjustment for adoption of amendment to HKAS 17	158,791	–	–	–	–	158,791
Cost, as restated	199,288	153,464	50,603	144,985	4,225	552,565
Accumulated depreciation and impairment, as previously reported	(9,656)	(132,287)	(36,333)	(133,992)	(3,335)	(315,603)
Adjustment for adoption of amendment to HKAS 17	(86,467)	–	–	–	–	(86,467)
Accumulated depreciation and impairment, as restated	(96,123)	(132,287)	(36,333)	(133,992)	(3,335)	(402,070)
Net book amount, as restated	103,165	21,177	14,270	10,993	890	150,495

## Notes to the Financial Statements

## 17 Property, Plant and Equipment (Continued)

## Group (Continued)

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Year ended 31 December 2010						
Opening net book amount, as previously reported	30,841	21,177	14,270	10,993	890	78,171
Adjustment for adoption of amendment to HKAS 17	72,324	–	–	–	–	72,324
Opening net book amount, as restated	103,165	21,177	14,270	10,993	890	150,495
Additions	–	34,672	6,605	8,841	594	50,712
Change in fair value of land and buildings upon transfer of properties to investment properties (Note 31)	6,652	–	–	–	–	6,652
Transfer to investment properties (Note 18)	(7,550)	–	–	–	–	(7,550)
Transfer to assets held for sale	(575)	–	–	–	–	(575)
Disposals	–	(1,125)	(1,242)	(212)	–	(2,579)
Disposal of a subsidiary	(1,275)	–	–	–	–	(1,275)
Depreciation and amortisation costs	(1,930)	(21,873)	(4,657)	(5,785)	(410)	(34,655)
Exchange differences	–	541	610	37	3	1,191
Closing net book amount	<u>98,487</u>	<u>33,392</u>	<u>15,586</u>	<u>13,874</u>	<u>1,077</u>	<u>162,416</u>
At 31 December 2010						
Cost	190,388	178,525	54,725	151,396	4,007	579,041
Accumulated depreciation and impairment	<u>(91,901)</u>	<u>(145,133)</u>	<u>(39,139)</u>	<u>(137,522)</u>	<u>(2,930)</u>	<u>(416,625)</u>
Net book amount	<u>98,487</u>	<u>33,392</u>	<u>15,586</u>	<u>13,874</u>	<u>1,077</u>	<u>162,416</u>

## Notes to the Financial Statements

**17 Property, Plant and Equipment (Continued)**

The carrying amounts of land are analysed as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
In Hong Kong		
Leases of over 50 years	44,594	45,008
Leases of between 10 to 50 years	26,557	27,316
	<u>71,151</u>	<u>72,324</u>

Land and buildings with net book values of HK\$27,441,000 (2009: HK\$28,763,000) are pledged as security for the Group's bank loans (Note 33).

In addition, land and buildings with net book values of HK\$70,279,000 (2009: HK\$72,339,000) are pledged as security for the general banking facilities granted to the Group.

**18 Investment Properties**

	Group	
	2010 HK\$'000	2009 HK\$'000
Opening net book amount	54,870	71,400
Transfer from land and buildings (Note 17)	7,550	12,770
Transfer to assets held for sale	(5,600)	(13,000)
Disposals	–	(27,980)
Change in fair value to income statement (Note 8)	18,529	11,680
Exchange differences	746	–
Closing net book amount	<u>76,095</u>	<u>54,870</u>

The investment properties were revalued at 31 December 2010 by Knight Frank Petty Limited, based on current prices in an active market for all properties.

## Notes to the Financial Statements

**18 Investment Properties (Continued)**

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

	Group	
	2010 HK\$'000	2009 HK\$'000
In Hong Kong		
Leases of over 50 years	17,050	5,540
Leases of between 10 to 50 years	36,450	28,060
	<u>53,500</u>	<u>33,600</u>
Outside Hong Kong		
Leases of over 50 years	11,881	7,870
Leases of between 10 to 50 years	10,714	7,800
Lease less than 10 years	–	5,600
	<u>22,595</u>	<u>21,270</u>
	<u>76,095</u>	<u>54,870</u>

Investment properties with net book values of HK\$43,000,000 (2009: HK\$25,700,000) were pledged to secure general banking facilities granted to the Group.

**19 Land Use Rights**

	Group	
	2010 HK\$'000	2009 HK\$'000 (Restated)
Opening net book amount (as previously reported)	95,750	99,222
Adjustment for adoption of amendment to HKAS 17	(72,324)	(75,398)
Opening net book amount (as restated)	23,426	23,824
Transfer to assets held for sale	(17,723)	–
Disposal of a subsidiary	(5,552)	–
Amortisation	(151)	(398)
Closing net book amount	<u>–</u>	<u>23,426</u>

## Notes to the Financial Statements

**19 Land Use Rights (Continued)**

Land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2010 HK\$'000	Group 2009 HK\$'000 (Restated)	2008 HK\$'000 (Restated)
Outside Hong Kong Leases of over 50 years	—	23,426	23,824

As at 31 December 2009, land use rights with net book values of HK\$17,874,000 (2010: Nil) were pledged as security for the Group's bank loans (Note 33).

**20 Intangible Assets**

	Goodwill HK\$'000	Group Website development cost HK\$'000	Total HK\$'000
At 1 January 2009, 31 December 2009 and 2010			
Cost	30,125	29,659	59,784
Accumulated amortisation and impairment	(30,125)	(29,659)	(59,784)
Net book amount	—	—	—

**21 Subsidiaries**

	2010 HK\$'000	Company 2009 HK\$'000
Unlisted shares, at cost	108,501	108,501

Details of principal subsidiaries are set out in note 40(i) to the financial statements.

**22 Amounts Due from/to Subsidiaries**

The amounts receivable and payable are unsecured, interest free and repayable on demand. All subsidiaries have no default history.

## Notes to the Financial Statements

## 23 Interests in Jointly Controlled Entities

	Group	
	2010 HK\$'000	2009 HK\$'000
Share of net assets	<u>58,295</u>	<u>48,068</u>
Unlisted shares, at costs	<u>12,044</u>	<u>12,044</u>

Details of principal jointly controlled entities are set out in note 40(ii) to the financial statements.

The aggregate assets and liabilities, and income and expenses of the Group's interests in jointly controlled entities are as follows:

	2010 HK\$'000	2009 HK\$'000
Assets		
Non-current assets	3,106	2,725
Current assets	<u>69,725</u>	<u>55,239</u>
	<u>72,831</u>	<u>57,964</u>
Liabilities		
Long-term liabilities	1,302	227
Current liabilities	<u>13,234</u>	<u>9,669</u>
	<u>14,536</u>	<u>9,896</u>
Net assets	<u>58,295</u>	<u>48,068</u>
Income	76,638	53,145
Expenses, including taxation	<u>(52,411)</u>	<u>(39,021)</u>
Net profit for the year	<u>24,227</u>	<u>14,124</u>

There are no significant contingent liabilities and capital commitments relating to the Group's interests in the jointly controlled entities and the jointly controlled entities do not have any significant contingent liabilities and capital commitments as at 31 December 2010 and 2009.

## Notes to the Financial Statements

**24 Interests in an Associated Company**

	Group	
	2010 HK\$'000	2009 HK\$'000
Share of net assets	<u>1,270</u>	<u>4,162</u>
Amount due to an associated company	<u>500</u>	<u>3,200</u>
Unlisted shares, at cost	<u>HK\$20</u>	<u>HK\$20</u>

The amount due is unsecured, interest free and repayable on demand.

Details of the associated company are set out in note 40(iii) to the financial statements.

The Group's share of the result of its associated company and its aggregated assets and liabilities are as follows:

	2010 HK\$'000	2009 HK\$'000
Assets		
Current assets	<u>1,278</u>	<u>6,081</u>
Liabilities		
Current liabilities	<u>8</u>	<u>1,919</u>
Net assets	<u>1,270</u>	<u>4,162</u>
Income	927	4,320
Expenses, including taxation	<u>(619)</u>	<u>(389)</u>
Net profit for the year	<u>308</u>	<u>3,931</u>

**25 Available-for-Sale Financial Assets**

	Group	
	2010 HK\$'000	2009 HK\$'000
Unlisted investments, at fair value	<u>13,927</u>	<u>11,851</u>

## Notes to the Financial Statements

## 26 Trade and Other Receivables

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Trade receivables	1,177,930	1,139,993	–	–
Less: impairment	<u>(119,200)</u>	<u>(183,456)</u>	–	–
Trade receivables, net	1,058,730	956,537	–	–
Other receivables, prepayments and deposits	<u>200,097</u>	<u>157,731</u>	<u>455</u>	<u>320</u>
	<u>1,258,827</u>	<u>1,114,268</u>	<u>455</u>	<u>320</u>

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Not yet due	893,616	807,730
Less than 30 days	71,064	56,310
31 to 60 days	18,128	34,176
61 to 90 days	24,147	22,904
Over 90 days	<u>51,775</u>	<u>35,417</u>
	<u>1,058,730</u>	<u>956,537</u>

Trade receivables of HK\$165,114,000 (2009: HK\$148,807,000) are past due but not impaired. Such receivables are past due less than six months.

Trade receivables of HK\$119,200,000 (2009: HK\$183,456,000) are mainly past due more than six months, impaired and fully provided. The ageing analysis of such receivables is as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Less than 6 months	13,984	367
6 to 12 months	37,130	63,471
Over 12 months	<u>68,086</u>	<u>119,618</u>
	<u>119,200</u>	<u>183,456</u>

## Notes to the Financial Statements

**26 Trade and Other Receivables (Continued)**

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

	Group	
	2010 HK\$'000	2009 HK\$'000
At 1 January	183,456	137,982
Provision for impairment	77,692	99,893
Write-off of uncollectible debts	(132,777)	(33,247)
Unused amounts reversed	(9,171)	(21,172)
At 31 December	<u>119,200</u>	<u>183,456</u>

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

**27 Financial Assets at Fair Value through Profit or Loss**

	Group	
	2010 HK\$'000	2009 HK\$'000
Equity securities listed in Hong Kong, at market value	<u>163</u>	<u>174</u>

The fair values of financial assets at fair value through profit or loss are based on their current bid prices in active markets.

**28 Cash and Bank Balances**

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cash at bank and in hand	790,924	669,404	777	693
Bank deposits	<u>811,002</u>	<u>808,015</u>	<u>–</u>	<u>–</u>
Cash and bank balances	1,601,926	1,477,419	777	693
Less: Bank deposits with maturity over three months from date of deposits	<u>(47,899)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Cash and cash equivalents	<u>1,554,027</u>	<u>1,477,419</u>	<u>777</u>	<u>693</u>

The short-term bank deposits include guarantee deposits of HK\$12,731,000 (2009: HK\$12,195,000) which are placed by certain wholly-owned subsidiaries for business purposes at designated bank accounts in Hong Kong and the PRC.

## Notes to the Financial Statements

## 29 Asset Held for Sale

As at 31 December 2009, the Group determined to dispose of an investment property with aggregated fair value of HK\$13,000,000, accordingly, the asset was presented separately in the balance sheet.

## 30 Share Capital

	2010 HK\$'000	2009 HK\$'000
Authorised:		
1,000 million ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
724,231,425 ordinary shares of HK\$0.1 each	<u>72,423</u>	<u>72,423</u>

Notes:

**(a) Repurchase of shares**

During the year, the Company did not repurchase any of its shares.

**(b) Share options of the Company**

At the special general meeting of the Company held on 30 April 2002, an ordinary resolution was passed under which a share option scheme (the "Share Option Scheme") was adopted and approved by the shareholders of the Company. Under the terms of the Share Option Scheme, the board of directors may, at their discretion, grant to any eligible persons including directors, employees, customers, consultants, advisors or agents to and of any member of the Group or any invested entity, share options to subscribe for Company's share at the subscription price not less than the highest of (i) closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company. Upon acceptance of the offer, the grantee shall pay HK\$1 to the Company as consideration for the grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes shall not exceed 35,636,609 shares, representing 4.92% of the shares in issue as at 17 March 2011.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period, in relation to relevant option, to be notified by the directors to the grantee, such period should not be earlier than the commencement date and not more than ten years from the commencement date.

The Share Option Scheme will remain in force for a period of ten years commencing from 30 April 2002.

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

	2010		2009	
	Average exercise price per share HK\$	Number of options	Average exercise price per share HK\$	Number of options
At 1 January and 31 December	<u>7.858</u>	<u>7,308,974</u>	<u>7.858</u>	<u>7,308,974</u>

During the year ended 31 December 2010, no option has been granted under the Share Option Scheme.

## Notes to the Financial Statements

## 30 Share Capital (Continued)

Notes: (Continued)

**(c) Share options of Midland IC&I Limited ("Midland IC&I")****(i) 2005 share option scheme**

On 6 June 2005, Midland IC&I adopted a share option scheme (the "Scheme") pursuant to an ordinary resolution. The Scheme was terminated upon adoption of a new share option scheme on 19 September 2008 as set out in note 30(c)(ii).

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

	2010	2009	
	Number of options	Average exercise price per share HK\$	Number of options
At 1 January	–	0.06	83,000,000
Lapsed during the year	–		(83,000,000)
At 31 December	–		–

- (ii) On 19 September 2008, Midland IC&I adopted a new share option scheme (the "New Scheme") pursuant to an extraordinary general meeting. Under the New Scheme, Midland IC&I may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of Midland IC&I and its subsidiaries, or any other eligible persons, who, as determined by the directors of Midland IC&I, have contributed or will contribute to the growth and development of the Midland IC&I Group to subscribe for shares of Midland IC&I, subject to a maximum of 10% of the nominal value of the issued share capital of Midland IC&I at the adoption time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the directors of Midland IC&I, and will not be less than the highest of: (i) the nominal value of the shares of Midland IC&I; (ii) the average of the closing price of the shares of Midland IC&I quoted on the Main Board of the Stock Exchange's daily quotations sheet on the five trading days immediately preceding the date of offer of the options; or (iii) the closing price of the shares quoted on the Main Board of the Stock Exchange's daily quotations sheet on the date of offer of the options, which must be a business day as defined in the Listing Rules. The New Scheme will remain in force for a period of ten years commencing from 19 September 2008. During the year ended 31 December 2010, no option has been granted under the New Scheme.

## Notes to the Financial Statements

## 31 Reserves

## Group

	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Employee benefits reserve HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2010	3,938	(11,553)	–	12,580	15,331	(2,139)	3,448	1,397,454	1,419,059
Currency translation differences	–	–	–	–	5,373	–	–	–	5,373
Change in fair value of available-for-sale financial assets	–	–	–	–	–	(877)	–	–	(877)
Change in fair value of land and buildings upon transfer of properties to investment properties (Note 17)	–	–	–	–	–	–	6,652	–	6,652
Profit for the year	–	–	–	–	–	–	–	532,794	532,794
Transfer of legal reserve	–	–	12	–	–	–	–	(12)	–
2009 final dividend paid	–	–	–	–	–	–	–	(317,213)	(317,213)
2010 interim dividend paid	–	–	–	–	–	–	–	(194,094)	(194,094)
<b>At 31 December 2010</b>	<b>3,938</b>	<b>(11,553)</b>	<b>12</b>	<b>12,580</b>	<b>20,704</b>	<b>(3,016)</b>	<b>10,100</b>	<b>1,418,929</b>	<b>1,451,694</b>
Representing:									
Reserves	3,938	(11,553)	12	12,580	20,704	(3,016)	10,100	1,186,596	1,219,361
2010 proposed final dividend and special cash bonus (Note 15)	–	–	–	–	–	–	–	232,333	232,333
<b>At 31 December 2010</b>	<b>3,938</b>	<b>(11,553)</b>	<b>12</b>	<b>12,580</b>	<b>20,704</b>	<b>(3,016)</b>	<b>10,100</b>	<b>1,418,929</b>	<b>1,451,694</b>
At 1 January 2009	3,938	(11,553)	–	14,232	15,314	(3,459)	–	984,118	1,002,590
Currency translation differences	–	–	–	–	17	–	–	–	17
Change in fair value of land and buildings upon transfer of properties to investment properties (Note 17)	–	–	–	–	–	–	3,448	–	3,448
Change in fair value of available-for-sale financial assets	–	–	–	–	–	1,320	–	–	1,320
Profit for the year	–	–	–	–	–	–	–	691,237	691,237
Lapse of share option	–	–	–	(1,652)	–	–	–	1,652	–
2008 final dividend paid	–	–	–	–	–	–	–	(7,242)	(7,242)
2009 interim dividend and special cash bonus paid	–	–	–	–	–	–	–	(272,311)	(272,311)
<b>At 31 December 2009</b>	<b>3,938</b>	<b>(11,553)</b>	<b>–</b>	<b>12,580</b>	<b>15,331</b>	<b>(2,139)</b>	<b>3,448</b>	<b>1,397,454</b>	<b>1,419,059</b>
Representing:									
Reserves	3,938	(11,553)	–	12,580	15,331	(2,139)	3,448	1,080,241	1,101,846
2009 proposed final dividend (Note 15)	–	–	–	–	–	–	–	317,213	317,213
<b>At 31 December 2009</b>	<b>3,938</b>	<b>(11,553)</b>	<b>–</b>	<b>12,580</b>	<b>15,331</b>	<b>(2,139)</b>	<b>3,448</b>	<b>1,397,454</b>	<b>1,419,059</b>

## Notes to the Financial Statements

## 31 Reserves (Continued)

## Company

	Capital redemption reserve HK\$'000	Employee benefits reserve HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2010	3,938	12,580	108,001	714,431	838,950
Profit for the year	–	–	–	403,013	403,013
2009 final dividend paid	–	–	–	(317,213)	(317,213)
2010 interim dividend paid	–	–	–	(194,094)	(194,094)
At 31 December 2010	<u>3,938</u>	<u>12,580</u>	<u>108,001</u>	<u>606,137</u>	<u>730,656</u>
Representing:					
Reserves	3,938	12,580	108,001	373,804	498,323
2010 proposed final dividend and special cash bonus (Note 15)	–	–	–	232,333	232,333
At 31 December 2010	<u>3,938</u>	<u>12,580</u>	<u>108,001</u>	<u>606,137</u>	<u>730,656</u>
At 1 January 2009	3,938	12,580	108,001	179,425	303,944
Profit for the year	–	–	–	814,559	814,559
2008 final dividend paid	–	–	–	(7,242)	(7,242)
2009 interim dividend and special cash bonus paid	–	–	–	(272,311)	(272,311)
At 31 December 2009	<u>3,938</u>	<u>12,580</u>	<u>108,001</u>	<u>714,431</u>	<u>838,950</u>
Representing:					
Reserves	3,938	12,580	108,001	397,218	521,737
2009 proposed final dividend (Note 15)	–	–	–	317,213	317,213
At 31 December 2009	<u>3,938</u>	<u>12,580</u>	<u>108,001</u>	<u>714,431</u>	<u>838,950</u>

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Astra Profits Limited and the value of net assets of underlying subsidiaries acquired as at 12 May 1995. The contributed surplus is distributable to the equity holders. In the Group's financial statements, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

## Notes to the Financial Statements

## 32 Trade and Other Payables

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Trade payable	374	681	–	–
Commissions payable	705,631	544,792	–	–
Other payables and accruals	550,852	462,786	55,445	59,079
	<u>1,256,857</u>	<u>1,008,259</u>	<u>55,445</u>	<u>59,079</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\$128,559,000 (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.

## 33 Bank Loans

As at 31 December 2010, the Group's bank loans are repayable as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Within 1 year	853	1,915
Between 1 and 2 years	870	1,986
Between 2 and 5 years	2,716	6,405
Over 5 years	8,224	12,187
	<u>12,663</u>	<u>22,493</u>

The above amounts due are based on the scheduled repayment dates set out in the loan agreement, and ignore the effect of any repayment on demand clause. The bank loans are wholly repayable over 5 years.

The bank loans are secured by certain land and buildings and land use rights held by the Group (Notes 17 and 19).

## Notes to the Financial Statements

**33 Bank Loans (Continued)**

The effective interest rate of bank loan is 1.95% (2009: 1.71% to 5.04%). The carrying amounts and fair values of the borrowings are as follows:

	Carrying amount		Fair value	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Bank loans	<u>12,663</u>	<u>22,493</u>	<u>12,663</u>	<u>22,493</u>

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 1.95% (2009: 1.71% to 5.04%).

The Group has the following undrawn borrowing facilities:

	2010 HK\$'000	2009 HK\$'000
Floating rates Expiring within one year	<u>188,156</u>	<u>224,940</u>

**34 Deferred Taxation**

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Deferred taxation assets	(19,141)	(10,840)	–	–
Deferred taxation liabilities	<u>1,801</u>	<u>967</u>	<u>–</u>	<u>–</u>
	<u>(17,340)</u>	<u>(9,873)</u>	<u>–</u>	<u>–</u>

The net movements on the deferred taxation are as follows:

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
At 1 January	(9,873)	(12,158)	–	–
Recognised in the income statement (Note 13)	(7,402)	2,285	–	–
Disposal of a subsidiary	<u>(65)</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December	<u>(17,340)</u>	<u>(9,873)</u>	<u>–</u>	<u>–</u>

## Notes to the Financial Statements

## 34 Deferred Taxation (Continued)

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

## Deferred taxation assets

	Provision HK\$'000	Fair values HK\$'000	Group Accelerated accounting depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2009	(3,569)	(511)	(4,548)	(5,479)	(14,107)
Recognised in the income statement	<u>(3,410)</u>	<u>511</u>	<u>190</u>	<u>5,273</u>	<u>2,564</u>
At 31 December 2009	(6,979)	–	(4,358)	(206)	(11,543)
Recognised in the income statement	<u>(8,928)</u>	<u>–</u>	<u>783</u>	<u>206</u>	<u>(7,939)</u>
At 31 December 2010	<u>(15,907)</u>	<u>–</u>	<u>(3,575)</u>	<u>–</u>	<u>(19,482)</u>

## Deferred taxation liabilities

	Accelerated tax depreciation HK\$'000	Group Fair values HK\$'000	Total HK\$'000
At 1 January 2009	1,084	865	1,949
Recognised in the income statement	<u>32</u>	<u>(311)</u>	<u>(279)</u>
At 31 December 2009	1,116	554	1,670
Recognised in the income statement	<u>(482)</u>	<u>1,019</u>	<u>537</u>
Disposal of a subsidiary	<u>40</u>	<u>(105)</u>	<u>(65)</u>
At 31 December 2010	<u>674</u>	<u>1,468</u>	<u>2,142</u>

Deferred taxation assets are recognised for tax loss carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred taxation assets of HK\$34,280,000 (2009: HK\$19,115,000) in respect of losses amounting to HK\$154,296,000 (2009: HK\$88,257,000) as at 31 December 2010. These tax losses can be carried forward against future taxable income. Tax losses amounting to HK\$145,145,000 (2009: HK\$70,619,000) will expire from 2011 to 2015 (2009: from 2010 to 2014).

## Notes to the Financial Statements

## 34 Deferred Taxation (Continued)

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

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Deferred taxation assets				
Recoverable more than twelve months	(3,158)	(3,432)	–	–
Recoverable within twelve months	(15,983)	(7,408)	–	–
	<u>(19,141)</u>	<u>(10,840)</u>	<u>–</u>	<u>–</u>
Deferred taxation liabilities				
Payable or settle after more than twelve months	216	921	–	–
Payable or settle within twelve months	1,585	46	–	–
	<u>1,801</u>	<u>967</u>	<u>–</u>	<u>–</u>

## 35 Notes to Consolidated Statement of Cash Flows

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

	2010 HK\$'000	2009 HK\$'000
Operating profit	658,793	812,296
Depreciation and amortisation costs	34,806	33,315
Net unrealised and realised loss/(gains) on financial assets at fair value through profit or loss	15	(6,723)
Impairment of receivables	68,521	78,721
Realised gains on available-for-sale financial assets	(899)	–
Gain on disposal of a subsidiary	(2,719)	–
Loss on disposal of property, plant and equipment	2,505	3,384
Gains on disposal of investment properties	–	(3,014)
Gains on disposal of assets held for sale	(12,389)	(6,360)
Fair value gains on investment properties	(18,529)	(11,680)
Fair value gains on assets held for sale	(330)	–
Dividend income from listed investments	–	(69)
Operating profit before working capital changes	<u>729,774</u>	<u>899,870</u>
Change in balance with an associated company	(2,700)	12,920
Increase in trade and other receivables	(213,089)	(499,475)
Increase in trade and other payables	248,608	405,749
Net cash generated from operations	<u>762,593</u>	<u>819,064</u>

## Notes to the Financial Statements

## 35 Notes to Consolidated Statement of Cash Flows (Continued)

## (b) Disposal of a subsidiary

	2010 HK\$'000
Net assets disposed of:	
Property, plant and equipment	1,275
Land use rights	5,552
Other receivables	9
Deferred tax liabilities	(65)
Other accruals	(10)
	<u>6,761</u>
Gain on disposal of a subsidiary	<u>2,719</u>
Cash consideration	9,480
Cash and cash equivalents disposed	(1)
Net cash inflow from disposal of a subsidiary	<u>9,479</u>

## 36 Contingent Liabilities

The Company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of HK\$160,200,000 (2009: to wholly-owned subsidiaries and an associated company of HK\$316,442,000). At 31 December 2010, HK\$7,544,000 of the banking facilities were utilised by the subsidiaries (2009: HK\$32,086,000 by the subsidiaries and HK\$1,884,000 by an associated company).

## 37 Future Lease Rental Receivable

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Within one year	1,510	2,784
Between one year and five years	424	795
	<u>1,934</u>	<u>3,579</u>

## Notes to the Financial Statements

## 38 Commitments

## (a) Capital commitments

The Group and the Company do not have any significant capital commitments as at 31 December 2010 and 2009.

## (b) Operating lease commitments

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Within one year	309,683	191,164
After one year but within five years	234,532	140,185
	<u>544,215</u>	<u>331,349</u>

The Company does not have any operating lease commitments as at 31 December 2010 and 2009.

## 39 Significant Related Party Transactions

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

		2010 HK\$'000	2009 HK\$'000
(a)	Transactions with related parties		
	Agency fee income from		
	– Related companies (i)	396	752
	– Directors (ii)	2,639	314
	Operating lease rental expenses in respect of office and shop premises		
	– Related companies (iii)	(4,618)	(2,496)
	– Directors (iv)	(1,235)	(1,316)
	Gain on disposal of a subsidiary (vii)	2,719	–

## Notes to the Financial Statements

## 39 Significant Related Party Transactions (Continued)

	Note	2010 HK\$'000	2009 HK\$'000
(b) Key management compensation			
Salaries and allowances	(v)	109,246	106,413
Retirement benefit costs	(v)	96	96
		<u>109,342</u>	<u>106,509</u>
(c) Loan to a related party	(vi)	<u>198</u>	<u>198</u>

## Notes:

- (i) Agency fee from related companies represents agency fee for property agency receivable from certain companies, in which directors of the Company have 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 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 of these companies, 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) The amount represents emolument paid or payable to Executive Directors for the year.
- (vi) The loan advanced to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.
- (vii) During the year, 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 (2009: Nil).

## Notes to the Financial Statements

## 40 Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associated Company

### (i) Principal subsidiaries

Company name	Place of incorporation/ establishment	Issued/ registered and paid-up capital	Principal activities and places of operations	Interest held %
Astra Profits Limited (Note a)	British Virgin Islands	4 shares of US\$1 each	Investment holding in Hong Kong	100
Guangzhou Midland Property Agency Company Limited (Notes b and c)	The PRC	US\$3,830,000	Property agency in the PRC	100
Hong Kong Property Services (Agency) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	100
Hong Kong Property Services (China) Limited	Hong Kong	1 share of HK\$1	Investment holding in the PRC	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	51.81
Midland IC&I Limited	Cayman Islands	8,300,000,000 shares of HK\$0.01 each and HK\$540 million convertible notes 1% June 2012	Investment holding in Hong Kong	51.81
Midland CyberNet Limited	Hong Kong	39,100,000 shares of HK\$1 each	Operation of internet website in Hong Kong	100
Midland HKP Services (Administration) Limited	Hong Kong	2 shares of HK\$1 each	Administration and management in Hong Kong	100
Midland Immigration Consultancy Limited	Hong Kong	500,000 shares of HK\$1 each	Immigration consultancy services in Hong Kong	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	51.81
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	51.81

## Notes to the Financial Statements

## 40 Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associated Company (Continued)

### (i) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/ registered and paid-up capital	Principal activities and places of operations	Interest held %
Midland Realty (Macau) Limited (Note b)	Macau	MOP\$25,000	Property agency in Macau	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	51.81
Midland Realty (Strategic) Limited	Hong Kong	10,000 shares of HK\$1 each and 2,000,000 non-voting deferred shares of HK\$1 each	Investment holding in Hong Kong	100
Midland Realty Consultancy (Shanghai) Company Limited (Notes b and c)	The PRC	US\$6,650,000	Property agency in the PRC	100
Midland Realty International Limited	Hong Kong	1,000 shares of HK\$100 each	Property agency in Hong Kong	100
Midland Surveyors Limited	Hong Kong	1,000,000 shares of HK\$1 each	Property valuation in Hong Kong	100
Real Gain Limited	Hong Kong	10,000 shares of HK\$1 each	Property investment in Hong Kong	100
Teamway Group Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	51.81
Teston Profits Limited	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100
Worldboss Limited	Hong Kong	2 shares of HK\$1 each	Property investment in Hong Kong	100
Perfect Tower Limited	Hong Kong	2 shares of HK\$1 each	Property investment in the PRC	100
港置地產代理(深圳)有限公司 (Notes b and c)	The PRC	HK\$24,500,000	Property agency in the PRC	100
縱橫擔保(深圳)有限公司 (Notes b and c)	The PRC	US\$5,400,000	Mortgage guarantee business in the PRC	100
美聯物業代理(深圳)有限公司 (Notes b and c)	The PRC	US\$4,200,000	Property agency in the PRC	100

## Notes to the Financial Statements

**40 Particulars of Principal Subsidiaries, Jointly Controlled Entities and Associated Company (Continued)****(ii) Jointly controlled entities**

Company name	Place of incorporation	Principal activities and places of operations	Percentage of interest in ownership/ voting power/ profit sharing
mReferral Corporation Limited (Note b)	British Virgin Islands	Investment holding in Hong Kong	50%/50%/50%
Vision Year Investments Limited (Note b)	British Virgin Islands	Investment holding in Hong Kong	10%/50%/10%

**(iii) Associated company**

Company name	Place of incorporation	Principal activities and places of operations	Percentage of interest in ownership/ voting power/ profit sharing
Top Bright Electronics Limited (Note b)	Hong Kong	Inactive	20%

## Notes:

- (a) This subsidiary is directly held by the Company.
- (b) These subsidiaries, jointly controlled entities and associated company are not audited by PricewaterhouseCoopers, Hong Kong.
- (c) Registered as wholly foreign owned enterprise under the PRC law.

## List of Investment Properties

Location	Lot number	Existing use	Lease term	Group's interest
Unit 7 on 7th Floor, Fortress Tower, 250 King's Road, North Point, Hong Kong	IL8416	Commercial	Long	100%
Units 1202, 1203 and 1204 on Level 12 of Tower 1, Henderson Centre, 18 Jianguomennei Avenue, Dongcheng District, Beijing, The People's Republic of China	N/A (Note)	Commercial	Medium	100%
Portion B of Shop No. 110 on the Car Park Level 1 of Podium C of Riviera Gardens, 2-12 Yi Hong Street & 7-9 Yi Lok Street, Tsuen Wan, New Territories, Hong Kong	TWTL 303	Commercial	Medium	100%
Shop No. 1 on 1st Floor, The Mall of Commercial Development, Locwood Court, Kingswood Villas, 1 Tin Wu Road, Tin Shui Wai, Yuen Long, New Territories, Hong Kong	TSWTL 1	Commercial	Medium	100%
Shop No. 1D 128 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, The People's Republic of China	N/A (Note)	Commercial	Long	100%
Shop No. 1D 188 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, The People's Republic of China	N/A (Note)	Commercial	Long	100%
Unit A1 on Ground Floor of The Commercial Accommodation, Well On Garden, 9 Yuk Nga Lane, Tseung Kwan O, Sai Kung, New Territories, Hong Kong	TKOTL18	Commercial	Medium	100%

## List of Investment Properties

Location	Lot number	Existing use	Lease term	Group's interest
Shop No. 6 on Lower Ground Floor, Franki Centre (formerly known as Kowloon Tong Centre), 320 Junction Road, Kowloon, Hong Kong	NKIL5746	Commercial	Medium	100%
Shop Nos. 11 and 12 of Unit 3A on Level (Site 1) 26 of The Commercial Development, Sceneway Garden, 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	NKIL6046	Commercial	Medium	100%
Unit 4 on Level (Site 1) 36 (excluding Market Entrance at L36) of The Commercial Development, Sceneway Garden, 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	NKIL6046	Commercial	Medium	100%
Shops 1 and 2 on Ground Floor, Wai Wah Court, 12R Smithfield, Kennedy Town, Hong Kong	IL4097	Commercial	Long	100%

Note: Property located in the People's Republic of China without lot number.

# Five-year Financial Summary

	2010	2009	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the year</b>					
Revenue	<u>3,736,952</u>	<u>3,404,856</u>	<u>2,254,620</u>	<u>3,871,364</u>	<u>2,014,658</u>
Profit/(loss) before taxation	<u>687,167</u>	<u>831,899</u>	<u>(17,362)</u>	<u>813,454</u>	<u>177,386</u>
Profit/(loss) attributable to equity holders of the Company	<u>532,794</u>	<u>691,237</u>	<u>(40,895)</u>	<u>659,129</u>	<u>149,940</u>
<b>Cashflows</b>					
Net cash inflow from operating activities	<u>614,292</u>	<u>786,556</u>	<u>128,970</u>	<u>691,950</u>	<u>166,379</u>
<b>At year end</b>					
Total assets	3,192,060	2,908,573	2,006,877	3,419,615	1,929,216
Total liabilities	1,309,983	1,094,286	631,545	1,715,002	734,797
Non-controlling interests	110,476	75,321	52,835	53,339	65,697
Total equity	<u>1,882,077</u>	<u>1,814,287</u>	<u>1,375,332</u>	<u>1,704,613</u>	<u>1,194,419</u>
Cash and bank balances	<u>1,601,926</u>	<u>1,477,419</u>	<u>941,977</u>	<u>1,046,033</u>	<u>529,824</u>
<b>Per share data</b>					
Earnings/(loss) per share-basic (HK cents)	73.57	95.44	(5.61)	90.10	20.40
Dividend per share (HK cents)					
Interim	26.80	17.60	6.50	16.00	2.80
Final	20.28	43.80	1.00	21.00	7.20
Special	<u>11.80</u>	<u>20.00</u>	<u>–</u>	<u>10.00</u>	<u>–</u>
Total	<u>58.88</u>	<u>81.40</u>	<u>7.50</u>	<u>47.00</u>	<u>10.00</u>

