



Midland Holdings Limited

▶ Incorporated in Bermuda with limited liability ◀

(Stock Code : 1200)

Bold for Impacts

Interim Report 2009





Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. KOO Fook Sun, Louis
Mr. SUN Tak Chiu
Mr. WANG Ching Miao, Wilson

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis
Mr. SUN Tak Chiu
Mr. WANG Ching Miao, Wilson

REMUNERATION COMMITTEE

Mr. WONG Kin Yip, Freddie
Ms. IP Kit Yee, Kitty
Mr. KOO Fook Sun, Louis
Mr. SUN Tak Chiu
Mr. WANG Ching Miao, Wilson

NOMINATION COMMITTEE

Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. KOO Fook Sun, Louis
Mr. SUN Tak Chiu
Mr. WANG Ching Miao, Wilson

COMPANY SECRETARY

Ms. KAM Man Yi, Margaret

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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



Corporate Information (continued)

AUDITOR

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

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG LEGAL ADVISERS

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
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.midland.com.hk

STOCK CODE

1200

The board of directors (the “Board” or the “Directors”) of Midland Holdings Limited (“Midland” or the “Company”) is pleased to present the interim report and unaudited financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2009 (the “Interim Period”) together with the comparative figures. The unaudited interim financial information, which comprises unaudited condensed consolidated statements of income, comprehensive income, changes in equity and cash flow for the Interim Period, and the unaudited condensed consolidated balance sheet as at 30 June 2009, along with explanatory notes, are set out on pages 18 to 44 of this report.

Management Discussion and Analysis

Review

The Group’s net profit for the first half of the year ended 30 June 2009 was HK\$277,577,000, representing an increase of 73% over the corresponding period last year. The global economy was dragged down by the outbreak of the financial tsunami in the second half of 2008, which affected the confidence of homebuyers. As a result, the Group recorded a loss last year. However, the Group turned around in just a matter of six months. Apart from the strong performance of the property market, the Group also benefited from a series of cost cutting measures launched last year, which enhanced the profitability of the Group. Also, as the property market improves, the write-offs and provisions for defaulted cases made last year can be written back, so the results for the first half of the year recorded a significant improvement.

Swiftness and Flexibility Bear Fruits

Last year, the Group redeployed a centralized leadership and strengthened the Board. Besides, a chairman office was set up to assist myself to make better strategic and operational planning more swiftly and flexibly so as to achieve the best effectiveness and efficiency. Thanks to the concerted efforts from within, the Group actively reduced its costs at the beginning phase of the financial tsunami, and the results have been encouraging. Although the costs of the Group for the first half of the year substantially reduced compared with the corresponding period last year, our sales team remained competitive. Commission income generated from the local market was in line with the general market. The Group’s profits increased significantly despite a lower revenue compared with the corresponding period last year, reflecting the improved operational efficiency of the Group. The Group centralized its back-office and devoted to implementing “Central Professional Units”, prompting synergy among its staff, at both non-frontline and frontline levels, to enhance their contribution to the Group’s operations. Even though the property market has shown signs of recovery in the first half of the year, the Group continued to adopt various measures to strengthen the leadership and the operational capability of each of its brand companies. As a result, the efficiency of the Group has been further enhanced. The Group’s Mainland business, which incurred a loss last year, also turned around to record a profit in the reporting period. This was attributed to the forward vision and prompt action of the Group’s management and their determination to staying ahead in the market, which raised the productivity per capita and the Group’s revenue after launching a series of optimization measures, as well as the benefits arising from the revitalization of the mainland property market.



Management Discussion and Analysis (continued)

V-shape Property Market Rebound Versus L-shape Economic Development

Amidst the financial tsunami, the general public are vigilant against investment products which in turn lead to fund flowing into the property market and the market bloom. In fact, hit by the worldwide economic downturn and H1N1 influenza, the performance of many other sectors still lagged behind from that before the financial tsunami. However, the property sector was exceptional. Supported by various favorable conditions like effective housing policies, low-interest environment and the gradually increasing home-buying sentiment in the market, property transactions recorded in the first two quarters remained on the rise. The property market even outperformed the general economy. The increase in property prices was notable during the period. According to the Midland "Property Price Chart", property prices increased 17.6% in the first half of the year, and the falling trend of rentals also reversed. To sum up the first half of the year, the economy showed an L-shape development, but the property market showed a V-shape turnaround. Since over 50% of the households in Hong Kong are home-owners, the stability and prosperity in the property market has a positive effect on the general economic performance.

In fact, given the rosy sentiment in the property market as a whole, sales of new projects has been satisfactory and the Group has been performing well in closing deals for various new projects.

Quick Response in Management with Defined Strategies

The Group substantially reduced costs in light of the financial tsunami, and actively expanded and grasped opportunities as soon as the property market started showing signs of recovery. During the first eight months of the year, the Group increased its workforce by over 10% and stepped up its promotion efforts, which strengthened the leading market position of the Group. For the twelve months starting from the second half of 2008 to the first half of this year, the property market was literally on a roller coaster ride. Leveraging on its extensive experience in the property market for thirty-six years, the top management of the Group successfully led the staff to ride out the adversity more quickly and efficiently and to prepare for the prosperity, and hence, further improved the results of the Group. The Group's results for the first half of the year also demonstrated the Group's swiftness and flexibility to respond to market changes. The Group is able to consolidate its market position and grab opportunities in both bullish or bearish market.

Outlook

Benefiting from the coordinated measures by the governments all over the world, the global economy has shown signs of recovery. The local credit market is returning to normal, while the sentiment of the stock market is remarkably improving. Although the real economy is still awaiting a full recovery, after falling for four consecutive quarters, the GDP of the last quarter recorded a turnaround with a quarter-to-quarter increase of 3.3%. As such, the Group believes that the worst may have passed. Although there are still uncertainties on the full recovery of the economy and consequently bringing challenges to the Group, the Group will constantly review and update on the overall situation and modify its operational strategies with high flexibility.

Management Discussion and Analysis (continued)

Backup from Motherland Benefiting Property Market

Backed by our motherland, Hong Kong's economic development looks set to benefit from the economic growth and policies of the Mainland. The implementation of aggressive fiscal and monetary policies has brought the economy back on track to a gradually upward trend with an annual growth of approximately 8% as its target. China is less affected by the financial tsunami compared to other countries. The prosperous long-term development of the China is believed to be able to sustain, which in turn will be advantageous to the future growth of Hong Kong. For instance, Hong Kong has become a clearing center under the cross-border Renminbi trade settlement pilot scheme, and the Central Government of the PRC has made its first ever cross border issuance of Renminbi 6 billion bonds in Hong Kong, as well as the release of the QFII quota by the State Administration of Foreign Exchange which will definitely bring business opportunities to Hong Kong in the long run.

Prices for Luxury Property Breaking Record Bodes Well for Mass Market

The Group always believes that the local property market has solid foundation and bright outlook. In fact, the low supply of properties, low interest rates and low borrowing rates of Hong Kong have been the favourable factors supporting the development of the property market over the years, with which property prices are able to swiftly overcome the adversities caused by the financial turmoil and reverse the declining trend. The gradually improving attitude of banks towards mortgages as a result of the normalized credit market is also one of the drivers for the rising property market. Besides, some buyers may consider property investment as a saving vehicle due to the lack of viable alternatives in the market. In addition, the financial sector on a renewed recruitment spree has also further stimulated the demand of mid-to-high priced properties. Since the summer break, the luxury property sector have outshone the rest of the market, with prices for some high-end properties hitting record high within a few months. As the prices for the luxury properties surge, prices for mid to low-end properties are predicted to go up in the next stage, particularly those located in Kowloon and New Territories.

Maintaining Flexibility, Expanding Steadily

The global economy is not as severe as expected and the recovering pace of property market is also speedier than expected. While many industries are still feeling the heat of the financial tsunami, the Group, taking advantage of the early rebound, has already resumed the recruitment of frontline staff. Compared to the beginning of the year, headcount of the Group has increased by more than 10% as at the end of August. Besides, the Group has relaunched new TV commercials in April to promote its corporate brand image and further consolidate its leading position in the industry. On the other hand, the growth in number of branches is relatively moderate while that of sales staff is higher. The Group has actively adopted a strategy of deploying more sales teams in one branch. For the second half of this year, the management will adhere to flexible budgets for market expansion. The management will continue to lead the staff at all levels to work diligently towards strengthening the Group's market competitiveness and maintaining its leading position in the industry.



Management Discussion and Analysis (continued)

The Group has always been sparing no efforts to innovate while focusing on real estate business. Our mReferral and immigration consultancy businesses have not only helped to diversify the Group's sources of revenue, but also brought synergetic benefits for us. Despite the influx of new entrants whenever the property agency market is booming, the Group's leading position in the market remains solid. The Group will endeavour to strengthen its immigration consultancy business. We plan to further strengthen our market positioning. The recent launch of the Midland "Property Price Chart" is one of our initiatives to achieve this goal. We will continue to build on our well-established networks (namely, the human resources, branches and marketing network, in particular, the internet), precise data analysis, IT support and the powerful publicity, advertising strategies etc., in order to meet the future challenges and progress with time.

Riding out Difficult Times, Sharing Prosperity, Striving for Innovation

The property market has been fluctuating significantly in the past. The Board members and our staff have overcome the difficult times from the financial tsunami together. Hopefully once the market condition improves, the Group's operational efficiency can be enhanced and our creativity and resilience can be demonstrated. I would like to take this opportunity to express my sincere gratitude to our customers and shareholders for their continuous support over the years and to the Board members and our staff for their efforts, which have ensured positive growth and better performance for the Group. We will build on our success to advance further and achieve more brilliant results.

Financial Review

Liquidity, Financial Resources and Funding

As at 30 June 2009, the Group had bank balances and cash of HK\$1,235,218,000, whilst bank loans and overdrafts amounted to HK\$31,732,000. The Group's bank loans were secured by certain investment properties, other properties and asset held by the Group with a total net book value of HK\$71,035,000 and with maturity profile are set out as follows:

| Repayable | HK\$'000 |
|----------------------------------|----------|
| Within 1 year | 2,856 |
| After 1 year but within 2 years | 2,965 |
| After 2 years but within 5 years | 9,586 |
| Over 5 years | 16,325 |

As at 30 June 2009, the Group had unutilised banking facilities amounting to HK\$124,370,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollars, United States Dollars, Renminbi and Macau Pataca, and the Group's borrowings are in Hong Kong Dollars and Renminbi. No currency hedging tool is used. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

Management Discussion and Analysis (continued)

As at 30 June 2009, the gearing ratio of the Group was 2%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

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

Capital Structure and Foreign Exchange Exposure

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

The Group's income and monetary assets and liabilities are mainly denominated in Hong Kong dollar. 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 and an associated company. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

Employee Information

As at 30 June 2009, the Group employed 6,253 full time employees of which 5,346 were sales agents and 907 were back office supportive employees.

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



Additional Information

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2009, the interests and short positions of each of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (i) to be recorded in the register required to be kept under section 352 of the SFO; or (ii) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

| Name of directors | Personal interests | Number of ordinary shares | | | Underlying shares | Total | Percentage of shareholding |
|---------------------------|--------------------|---------------------------|------------------------|-----------------------|-------------------|--------|----------------------------|
| | | Corporate interests | Family interests | | | | |
| Mr. WONG Kin Yip, Freddie | 53,074,000 | 43,494,144 | - | - | 96,568,144 | 13.33% | |
| Ms. TANG Mei Lai, Metty | - | - | 96,568,144 (Note 1) | - | 96,568,144 | 13.33% | |
| Ms. WONG Ching Yi, Angela | - | - | - | 7,308,974 (Note 2) | 7,308,974 | 1.01% | |

Notes:

1. 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.
2. Such shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options granted to her.

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

Save as disclosed above, as at 30 June 2009, none of the directors nor the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Additional Information (continued)

Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2009, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares, underlying shares or 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 shareholders | Number of shares | Capacity | Percentage of shareholding |
|--------------------------------|----------------------------------|--|----------------------------|
| Sunluck Services Limited | 43,494,144 (L) (Note 1) | Beneficial owner | 6.01% |
| Southern Field Trading Limited | 43,494,144 (L) (Note 1) | Interest in controlled corporation | 6.01% |
| Marathon Asset Management | 74,334,000 (L) | Investment manager | 10.26% |
| JP Morgan Chase & Co. | 63,687,103 (L) 63,227,103 (P) | Beneficial owner Approved lending agent | 8.79% 8.73% |
| Baillie Gifford & Co | 44,964,000 (L) (Note 2) | Investment manager | 6.21% |
| Callander Alex | 44,964,000 (L) (Note 2) | Interest in controlled corporation | 6.21% |
| Plowden Charles | 44,964,000 (L) (Note 2) | Interest in controlled corporation | 6.21% |
| Telfer Andrew | 44,964,000 (L) (Note 2) | Interest in controlled corporation | 6.21% |
| Warden Alison | 44,964,000 (L) (Note 2) | Interest in controlled corporation | 6.21% |
| Whitley Sarah | 44,964,000 (L) (Note 2) | Interest in controlled corporation | 6.21% |



Additional Information (continued)

| Name of shareholders | Number of shares | Capacity | Percentage of shareholding |
|---|------------------|--------------------|----------------------------|
| Third Avenue Management LLC, on behalf of numerous portfolios | 42,420,000 (L) | Investment manager | 5.86% |
| Universities Superannuation Scheme Ltd | 37,950,000 (L) | Trustee | 5.24% |

Remarks: (L) – Long Position, (P) – Lending Pool

Notes:

1. These shares represent the same block of shares. Sunluck Services Limited is a wholly-owned subsidiary of Southern Field Trading Limited which interest duplicates those of Mr. WONG Kin Yip, Freddie in the Company.
2. These shares represent the same block of shares. Messrs. Callander Alex, Plowden Charles, Telfer Andrew, Warden Alison and Whitley Sarah are controlling shareholders of Baillie Gifford & Co and are deemed to be interested in these shares.

Share Option Scheme

Midland Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 30 April 2002, the Company adopted the 2002 share option scheme (the “Share Option Scheme”). A summary of the Share Option Scheme is as follows:

(a) Purpose

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

Additional Information (continued)

(b) Eligible persons

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

(c) Total number of shares available for issue

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

(d) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person (including cancelled, exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

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

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of shares of the Company in issue and the aggregate value which based on the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation 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.

(g) Acceptance of offer

An offer for the grant of an option must be accepted within twenty-eight days from the day on which such offer was made. The amount payable on acceptance of the offer for the grant of an option is HK\$1.00.

Additional Information (continued)

(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.

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

| Name | Date of grant | Exercise price HK\$ | Number of share options | | | | Exercisable period |
|------------------------------|-----------------|------------------------|--|---|--|--|---------------------------------------|
| | | | Balance outstanding as at 1 January 2009 | Options granted during the Interim Period | Exercised/ cancelled/ lapsed during the Interim Period | Balance outstanding as at 30 June 2009 | |
| Participant | | | | | | | |
| Ms. WONG Ching Yi, Angela | 22 October 2007 | 7.858 | 3,654,487 | - | - | 3,654,487 | 1 February 2008 to 31 January 2011 |
| | 22 October 2007 | 7.858 | 3,654,487 | - | - | 3,654,487 | 1 August 2008 to 31 July 2011 |
| Total | | | <u>7,308,974</u> | <u>-</u> | <u>-</u> | <u>7,308,974</u> | |

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

Additional Information (continued)

Midland IC&I Limited Share Option Scheme

At an extraordinary general meeting of Midland IC&I Limited (“Midland IC&I”) held on 6 June 2005, a share option scheme of Midland IC&I (the “Midland IC&I 2005 Share Option Scheme”) was adopted.

In connection with the successful transfer of listing of the shares of Midland IC&I from the Growth Enterprise Market (“GEM”) to the Main Board (“Main Board”) of the Stock Exchange on 18 August 2008, Midland IC&I adopted a 2008 share option scheme (the “Midland IC&I 2008 Share Option Scheme”) at an extraordinary general meeting of Midland IC&I held on 19 September 2008. The Midland IC&I 2005 Share Option Scheme has been terminated and no further options under this scheme has been granted upon the adoption of Midland IC&I 2008 Share Option Scheme. Termination of Midland IC&I 2005 Share Option Scheme would not prejudice the outstanding options granted thereunder which had all lapsed during the Interim Period. Since adoption of the Midland IC&I 2008 Share Option Scheme, no share options have been granted thereunder.

The major terms of the Midland IC&I 2008 Share Option Scheme are summarized as follows:

(a) Purpose of the Midland IC&I 2008 Share Option Scheme

The principal purposes of the Midland IC&I 2008 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 2008 Share Option Scheme

The board 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 2008 Share Option Scheme.

(c) Total number of shares available for issue

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



Additional Information (continued)

(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 2008 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 2008 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 quotation sheet on the date of each grant shall not exceed HK\$5,000,000.

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

(f) Time of exercise of option

The Midland IC&I 2008 Share Option Scheme will remain in force for a period of ten years commencing from the date of adoption, after which no further share options shall be granted. The share options which are granted during the life of the Midland IC&I 2008 Share Option Scheme may, however continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the Midland IC&I 2008 Share Option Scheme shall remain in full force and effect.

Additional Information (continued)

(g) Basis of determining the exercise price

The exercise price of an option to subscribe for shares granted under the Midland IC&I 2008 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 2008 Share Option Scheme

The Midland IC&I 2008 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.

Details of the share options granted to Mr. TSANG Link Carl, Brian, a non-executive director of Midland IC&I, on 16 January 2006 and the particulars of the movements of share options outstanding during the Interim Period under the Midland IC&I 2005 Share Option Scheme are as follows:

| Name | Date of grant | Exercise price HK\$ | Number of share options | | | | Exercisable period |
|----------------------------|-----------------|---------------------|--|---|--|--|-------------------------------|
| | | | Balance outstanding as at 1 January 2009 | Options granted during the Interim Period | Exercised/ cancelled/ lapsed during the Interim Period | Balance outstanding as at 30 June 2009 | |
| Participant | | | | | | | |
| Mr. TSANG Link Carl, Brian | 16 January 2006 | 0.06 | 41,500,000 | - | 41,500,000 | - | 1 April 2006 to 31 March 2009 |
| | 16 January 2006 | 0.06 | 41,500,000 | - | 41,500,000 | - | 1 June 2006 to 31 May 2009 |
| Total | | | 83,000,000 | - | 83,000,000 | - | |

As at 30 June 2009, all the outstanding options granted under the Midland IC&I 2005 Share Option Scheme had lapsed.



Additional Information (continued)

Purchase, Sale or Redemption of Shares

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

Dividends

The Board has resolved to declare an interim dividend of HK\$0.176 per ordinary share for the Interim Period (six months ended 30 June 2008: HK\$0.065 per ordinary share) and a special cash bonus of HK\$0.200 per ordinary share for the Interim Period (six months ended 30 June 2008: Nil) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at the close of business on 5 October 2009. The interim dividend and the special cash bonus will be paid on or around 16 October 2009.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 5 October 2009 to Thursday, 8 October 2009, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2009 interim dividend and the special cash bonus, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Abacus Limited, not later than 4:30 p.m. on 2 October 2009.

Review by Audit Committee

The Audit Committee of the Company has reviewed and discussed with the management of the Company the interim report of the Company for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Code on Corporate Governance Practices

The Company has complied with the requirements of all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the Interim Period, except that the roles of the chairman and the chief executive officer of the Company are not segregated under the code provision A.2.1 of the CG Code.

Additional Information (continued)

Mr. WONG Kin Yip, Freddie (“Mr. Wong”), the Chairman and Managing Director of the Company, also carried out the function of chief executive officer of the Company. Mr. Wong is responsible for formulating the overall corporate directions and corporate strategies of the Group whereas the daily operation and management of the Company are monitored by the executive directors as well as the senior management of the Company. Besides, 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.

The Board considers that under the leadership of Mr. Wong, the above 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. The Board also considers that the above structure will not impair the balance of power and authority between the Board and the senior management of the Company.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code.

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

Appreciation

The Group’s success is attributable to all staff working together to scale new heights. On behalf of the Directors, let me offer our sincere gratitude to all shareholders and customers for their continuous support and to all management and staff for their hard work, support and dedication throughout the Interim Period.

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

Hong Kong, 16 September 2009



Condensed Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Note | Six months ended 30 June | |
|---|------|--------------------------|------------------|
| | | 2009 HK\$'000 | 2008 HK\$'000 |
| Revenues | 3(a) | 1,543,661 | 1,627,670 |
| Other income | 4 | 15,078 | 21,669 |
| Staff costs | | (838,584) | (914,057) |
| Rebate commissions | | (27,097) | (17,412) |
| Advertising and promotion expenses | | (90,565) | (144,798) |
| Operating lease charges in respect of office and shop premises | | (125,327) | (153,649) |
| Impairment of trade receivables | | (38,368) | (70,011) |
| Depreciation and amortisation costs | | (17,555) | (20,706) |
| Other operating costs | | (92,631) | (151,855) |
| Operating profit | 5 | 328,612 | 176,851 |
| Finance income | 6 | 1,319 | 9,859 |
| Finance costs | 6 | (685) | (1,644) |
| Share of results of Jointly controlled entities | | 5,109 | 9,361 |
| An associated company | | 1,386 | – |
| Profit before taxation | | 335,741 | 194,427 |
| Taxation | 7 | (58,164) | (34,154) |
| Profit for the period | | 277,577 | 160,273 |
| Profit attributable to: | | | |
| Equity holders | | 272,428 | 152,210 |
| Minority interests | | 5,149 | 8,063 |
| | | 277,577 | 160,273 |
| Earnings per share | 8 | | |
| Basic | | HK37.62 cents | HK20.83 cents |
| Diluted | | HK37.62 cents | HK20.79 cents |
| Dividends | 9 | 272,311 | 47,445 |

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2009 HK\$'000 | 2008 HK\$'000 |
| Profit for the period | 277,577 | 160,273 |
| Other comprehensive income | | |
| Currency translation differences | (3,379) | 6,196 |
| Revaluation surplus on land and building transferred to investment properties | 2,774 | – |
| Fair value losses on available-for-sale financial assets, net of tax | (885) | – |
| Total comprehensive income for the period | <u>276,087</u> | <u>166,469</u> |
| Total comprehensive income attributable to: | | |
| Equity holders | 270,938 | 158,406 |
| Minority interests | <u>5,149</u> | <u>8,063</u> |
| | <u>276,087</u> | <u>166,469</u> |



Condensed Consolidated Balance Sheet (Unaudited)

AS AT 30 JUNE 2009

| | Note | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|--|------|--------------------------------------|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 76,993 | 72,412 |
| Investment properties | 10 | 78,950 | 71,400 |
| Leasehold land and land use rights | 10 | 102,400 | 99,222 |
| Interests in jointly controlled entities | | 39,052 | 30,212 |
| Interests in an associated company | | 1,617 | 231 |
| Available-for-sale financial assets | | 8,485 | 11,949 |
| Deferred taxation assets | | 19,806 | 13,629 |
| | | 327,303 | 299,055 |
| Current assets | | | |
| Trade and other receivables | 11 | 1,101,852 | 698,430 |
| Financial assets at fair value through profit or loss | | 8,711 | 5,278 |
| Assets held for sale | | – | 27,137 |
| Amount due from an associated company | | 4,059 | 9,720 |
| Tax recoverable | | – | 25,280 |
| Cash and bank balances | | 1,235,218 | 941,977 |
| | | 2,349,840 | 1,707,822 |
| Total assets | | 2,677,143 | 2,006,877 |

Condensed Consolidated Balance Sheet (Unaudited) (continued)

AS AT 30 JUNE 2009

| | Note | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|--|------|--------------------------------------|--|
| EQUITY AND LIABILITIES | | | |
| Equity holders | | | |
| Share capital | 12 | 72,423 | 72,423 |
| Share premium | | 247,484 | 247,484 |
| Other reserves | | 993,975 | 995,348 |
| Proposed dividend and special cash bonus | | 272,311 | 7,242 |
| | | <u>1,586,193</u> | <u>1,322,497</u> |
| Minority interests | | <u>57,984</u> | <u>52,835</u> |
| Total equity | | <u>1,644,177</u> | <u>1,375,332</u> |
| Non-current liabilities | | | |
| Borrowings | 13 | 28,876 | 16,956 |
| Deferred taxation liabilities | | 1,858 | 1,471 |
| | | <u>30,734</u> | <u>18,427</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 962,485 | 602,510 |
| Borrowings | 13 | 2,856 | 1,722 |
| Taxation payable | | 36,891 | – |
| Liabilities associated with assets held for sale | 13 | – | 8,886 |
| | | <u>1,002,232</u> | <u>613,118</u> |
| Total liabilities | | <u>1,032,966</u> | <u>631,545</u> |
| Total equity and liabilities | | <u>2,677,143</u> | <u>2,006,877</u> |
| Net current assets | | <u>1,347,608</u> | <u>1,094,704</u> |
| Total assets less current liabilities | | <u>1,674,911</u> | <u>1,393,759</u> |



Condensed Consolidated Cash Flow Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Net cash from operating activities | 290,103 | 197,313 |
| Net cash from investing activities | 550 | 99,637 |
| Net cash from/(used in) financing activities | <u>2,576</u> | <u>(280,197)</u> |
| Net increase in cash and cash equivalents | 293,229 | 16,753 |
| Cash and cash equivalents at beginning of the period | 941,977 | 1,046,033 |
| Effect of foreign exchange rate changes | <u>12</u> | <u>5,456</u> |
| Cash and cash equivalents at end of the period | <u>1,235,218</u> | <u>1,068,242</u> |

Condensed Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

| | Equity holders | | | | | Total HK\$'000 |
|---|------------------------------|------------------------------|-------------------------------|----------------------------------|-----------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserves HK\$'000 | Retained earnings HK\$'000 | Minority interests HK\$'000 | |
| At 1 January 2009 | 72,423 | 247,484 | 18,472 | 984,118 | 52,835 | 1,375,332 |
| Other comprehensive income | | | | | | |
| Currency translation differences | - | - | (3,379) | - | - | (3,379) |
| Revaluation surplus on land and building transferred to investment properties | - | - | 2,774 | - | - | 2,774 |
| Change in fair value of available-for-sale financial assets, net of tax | - | - | (885) | - | - | (885) |
| Profit for the period | - | - | - | 272,428 | 5,149 | 277,577 |
| Total comprehensive income for the period ended 30 June 2009 | - | - | (1,490) | 272,428 | 5,149 | 276,087 |
| 2008 final dividend paid | - | - | - | (7,242) | - | (7,242) |
| At 30 June 2009 | 72,423 | 247,484 | 16,982 | 1,249,304 | 57,984 | 1,644,177 |
| At 1 January 2008 | 73,090 | 265,317 | 13,398 | 1,299,469 | 53,339 | 1,704,613 |
| Other comprehensive income | | | | | | |
| Currency translation differences | - | - | 6,196 | - | - | 6,196 |
| Profit for the period | - | - | - | 152,210 | 8,063 | 160,273 |
| Total comprehensive income for the period ended 30 June 2008 | - | - | 6,196 | 152,210 | 8,063 | 166,469 |
| 2007 final dividend paid | - | - | - | (226,578) | - | (226,578) |
| At 30 June 2008 | 73,090 | 265,317 | 19,594 | 1,225,101 | 61,402 | 1,644,504 |



Notes to the Interim Financial Information

1. General information

The Company is a limited liability company incorporated in Bermuda and listed on the Main Board at the Stock Exchange. The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and its principal office in Hong Kong is Rooms 2505-8, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong.

The Group is principally engaged in provision of property agency services in Hong Kong, Mainland China and Macau.

This condensed consolidated interim financial information was approved for issue on 16 September 2009.

2. Basis of preparation and significant accounting policies

The interim financial information has been prepared under the historical cost convention as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value, and also presented in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies adopted in the preparation of the interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2008 except that the Group has adopted the following new or revised standards and amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31 December 2009.

| | |
|-------------------|---|
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKAS 1 Amendment | Presentation of Financial Statements |
| HKAS 16 Amendment | Property, Plant and Equipment |
| HKAS 19 Amendment | Employee Benefits |
| HKAS 23 Amendment | Borrowing Costs |
| HKAS 27 Amendment | Consolidated and Separate Financial Statements |
| HKAS 36 Amendment | Impairment of Assets |
| HKAS 38 Amendment | Intangible Assets |
| HKAS 39 Amendment | Financial Instruments: Recognition and Measurement |
| HKFRS 2 Amendment | Share-based Payment Vesting Conditions and Cancellation |
| HKFRS 8 | Operating Segments |

Notes to the Interim Financial Information (continued)

2. Basis of preparation and significant accounting policies (continued)

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

- (a) HKFRS 8, "Operating Segments". It replaces HKAS 14, "Segment reporting" and requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.
- (b) HKAS 1 (Revised), "Presentation of Financial Statements". The revised standard prohibits the presentation of items of income and expenses (relating to non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1 January 2009. The Group has not early adopted these new and revised HKFRS.

3. Revenues and segment information

(a) Revenues

| | Six months ended 30 June | |
|-----------------------------------|--------------------------|------------------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Agency fee | 1,519,599 | 1,610,743 |
| Rental from investment properties | 2,937 | 1,918 |
| Internet education services | 9,846 | 9,393 |
| Immigration consultancy fee | 10,499 | 4,284 |
| Other services | 780 | 1,332 |
| | <u>1,543,661</u> | <u>1,627,670</u> |

Notes to the Interim Financial Information (continued)

3. Revenues and segment information (continued)

(b) Segment information

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

Management assesses the performance based on the nature of the Group's business, principally located in Hong Kong, Mainland China and Macau, which comprises property agency businesses for residential, commercial and industrial properties and shops, and other businesses mainly include property leasing, the provision of internet education services and immigration consultancy services.

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

Notes to the Interim Financial Information (continued)

3. Revenues and segment information (continued)

(b) Segment information (continued)

| | Six months ended 30 June 2008 | | | |
|--|---|---|--------------------|-------------------|
| | Property agency | | Others HK\$'000 | Total HK\$'000 |
| | Residential property agency HK\$'000 | Industrial and commercial property and shop agency HK\$'000 | | |
| Total revenues | 1,410,660 | 232,095 | 24,786 | 1,667,541 |
| Inter-segment revenues | (16,231) | (15,781) | (7,859) | (39,871) |
| Revenues from external customers | 1,394,429 | 216,314 | 16,927 | 1,627,670 |
| Segment results | 192,648 | 35,763 | 35,586 | 263,997 |
| Impairment of trade receivables | (54,933) | (15,078) | – | (70,011) |
| Depreciation and amortisation costs | (16,685) | (2,013) | (2,008) | (20,706) |
| Share of results of jointly controlled entities | (52) | – | 9,413 | 9,361 |
| Fair value gains on investment properties and assets held for sale | – | – | 8,468 | 8,468 |
| Additions to non-current assets | 26,689 | 1,787 | 957 | 29,433 |

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

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



Notes to the Interim Financial Information (continued)

3. Revenues and segment information (continued)

(b) Segment information (continued)

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

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2009 HK\$'000 | 2008 HK\$'000 |
| Segment results for reportable segments | 379,442 | 263,997 |
| Corporate expenses | (49,268) | (51,963) |
| Net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss | 4,933 | (25,822) |
| Finance income | 1,319 | 9,859 |
| Finance costs | (685) | (1,644) |
| Profit before taxation | <u>335,741</u> | <u>194,427</u> |

Notes to the Interim Financial Information (continued)

3. Revenues and segment information (continued)

(b) Segment information (continued)

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, financial assets at fair value through profit or loss, available-for-sale financial assets, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

| | As at 30 June 2009 | | | |
|--|---|---|--------------------|-------------------|
| | Property agency | | Others HK\$'000 | Total HK\$'000 |
| | Residential property agency HK\$'000 | Industrial and commercial property and shop agency HK\$'000 | | |
| Segment assets | <u>1,259,063</u> | <u>292,503</u> | <u>261,020</u> | <u>1,812,586</u> |
| Segment assets include: | | | | |
| Interests in jointly controlled entities | 1,359 | – | 37,693 | 39,052 |
| Interests in an associated company | <u>–</u> | <u>–</u> | <u>1,617</u> | <u>1,617</u> |
| Segment liabilities | <u>879,793</u> | <u>87,564</u> | <u>36,357</u> | <u>1,003,714</u> |

Notes to the Interim Financial Information (continued)

3. Revenues and segment information (continued)

(b) Segment information (continued)

| | As at 31 December 2008 | | | |
|--|---|---|--------------------|-------------------|
| | Property agency | | | Total HK\$'000 |
| | Residential property agency HK\$'000 | Industrial and commercial property and shop agency HK\$'000 | Others HK\$'000 | |
| Segment assets | <u>784,061</u> | <u>202,855</u> | <u>222,640</u> | <u>1,209,556</u> |
| Segment assets include: | | | | |
| Interests in jointly controlled entities | 1,501 | – | 28,711 | 30,212 |
| Interests in an associated company | <u>–</u> | <u>–</u> | <u>231</u> | <u>231</u> |
| Segment liabilities | <u>522,883</u> | <u>55,398</u> | <u>45,312</u> | <u>623,593</u> |

Notes to the Interim Financial Information (continued)

3. Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

| | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|---|--------------------------------------|--|
| Segment assets | 1,812,586 | 1,209,556 |
| Corporate assets | 827,555 | 766,465 |
| Deferred taxation assets | 19,806 | 13,629 |
| Financial assets at fair value through profit or loss | 8,711 | 5,278 |
| Available-for-sale financial assets | 8,485 | 11,949 |
| | <hr/> | <hr/> |
| Total assets per the consolidated balance sheet | 2,677,143 | 2,006,877 |

Reportable segment liabilities are reconciled to total liabilities as follows:

| | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|--|--------------------------------------|--|
| Segment liabilities | 1,003,714 | 623,593 |
| Corporate liabilities | 27,394 | 6,481 |
| Deferred tax liabilities | 1,858 | 1,471 |
| | <hr/> | <hr/> |
| Total liabilities per the consolidated balance sheet | 1,032,966 | 631,545 |



Notes to the Interim Financial Information (continued)

4. Other income

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Dividend income from listed investments | 4 | 633 |
| Fair value gains on investment properties and assets held for sale | 5,120 | 8,468 |
| Net realised and unrealised gains on financial assets at fair value through profit or loss | 4,933 | – |
| Gain on disposal of investment properties and assets held for sale | 5,021 | 12,568 |
| | <u>15,078</u> | <u>21,669</u> |

5. Operating profit

Operating profit is arrived at after charging:

| | Six months ended 30 June | |
|---|--------------------------|----------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Net realised and unrealised losses on financial assets at fair value through profit or loss | – | 25,822 |
| Loss on disposal of property, plant and equipment | 2,210 | 2,525 |

Notes to the Interim Financial Information (continued)

6. Finance income and costs

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2009 HK\$'000 | 2008 HK\$'000 |
| Finance income | | |
| Bank interest | 1,319 | 9,859 |
| Finance costs | | |
| Interest on bank loans and overdrafts | (685) | (1,495) |
| Interest on securities margin financing | - | (149) |
| | (685) | (1,644) |
| Net finance income | 634 | 8,215 |

7. Taxation

| | Six months ended 30 June | |
|-----------------------|--------------------------|------------------|
| | 2009 HK\$'000 | 2008 HK\$'000 |
| Current | | |
| Hong Kong profits tax | 62,542 | 25,156 |
| Overseas | 1,412 | 57 |
| Deferred | (5,790) | 8,941 |
| | 58,164 | 34,154 |

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2008: 16.5%) on the estimated assessable profit for the Interim Period. Taxation on overseas profits has been calculated on the estimated profit for the Interim Period at the rates of taxation prevailing in the countries in which the Group operates.



Notes to the Interim Financial Information (continued)

8. Earnings per share

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

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2009 HK\$'000 | 2008 HK\$'000 |
| Profit attributable to equity holders | <u>272,428</u> | <u>152,210</u> |
| Number of shares for calculating basic earnings per share (thousands) | 724,231 | 730,897 |
| Effect on conversion of share options (thousands) | <u>–</u> | <u>1,067</u> |
| Number of shares for calculating diluted earnings per share (thousands) | <u>724,231</u> | <u>731,964</u> |
| Basic earnings per share (HK cents) | <u>37.62</u> | <u>20.83</u> |
| Diluted earnings per share (HK cents) | <u>37.62</u> | <u>20.79</u> |

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

In calculating the diluted earnings per share the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted earnings per share for the six months ended 30 June 2009 did not assume the exercise of share options outstanding during the period since the exercise of share options would have an anti-dilutive effect.

Notes to the Interim Financial Information (continued)

9. Dividends

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2009 HK\$'000 | 2008 HK\$'000 |
| Interim dividend declared of HK\$0.176 (2008: HK\$0.065) per ordinary share | 127,465 | 47,445 |
| Special cash bonus of HK\$0.200 (2008: Nil) per ordinary share | 144,846 | – |
| | <u>272,311</u> | <u>47,445</u> |



Notes to the Interim Financial Information (continued)

10. Capital expenditure

| | Property, plant and equipment HK\$'000 | Investment properties HK\$'000 | Leasehold land and land use rights HK\$'000 |
|---|---|--------------------------------------|--|
| Opening net book amounts as at 1 January 2009 | 72,412 | 71,400 | 99,222 |
| Additions | 24,033 | – | 10,060 |
| Transfer | (623) | 6,536 | (5,913) |
| Disposals | (2,243) | (6,880) | – |
| Depreciation and amortisation | (16,586) | – | (969) |
| Change in fair value | – | 7,894 | – |
| Closing net book amounts as at 30 June 2009 | <u>76,993</u> | <u>78,950</u> | <u>102,400</u> |
| Opening net book amounts as at 1 January 2008 | 83,429 | 68,713 | 122,656 |
| Additions | 29,433 | – | – |
| Transfer | – | (24,900) | – |
| Disposals | (2,595) | – | – |
| Depreciation and amortisation | (19,473) | – | (1,233) |
| Exchange differences | 1,791 | 1,985 | – |
| Change in fair value | – | 8,452 | – |
| Closing net book amounts as at 30 June 2008 | <u>92,585</u> | <u>54,250</u> | <u>121,423</u> |
| Additions | 17,463 | 5,409 | – |
| Transfer | (2,026) | 22,165 | (20,976) |
| Disposals | (10,997) | (1,750) | – |
| Depreciation and amortisation | (23,210) | – | (1,225) |
| Impairment | (1,763) | – | – |
| Exchange differences | 360 | 873 | – |
| Change in fair value | – | (9,547) | – |
| Closing net book amounts as at 31 December 2008 | <u>72,412</u> | <u>71,400</u> | <u>99,222</u> |

Notes to the Interim Financial Information (continued)

11. Trade and other receivables

| | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|--|--------------------------------------|--|
| Trade receivables | 963,447 | 549,652 |
| Other receivables, prepayment and deposits | 138,405 | 148,778 |
| | <u>1,101,852</u> | <u>698,430</u> |

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

| | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|-------------------|--------------------------------------|--|
| Not yet due | 868,199 | 496,509 |
| Less than 30 days | 53,364 | 17,392 |
| 31-60 days | 18,630 | 8,760 |
| 61-90 days | 6,954 | 9,084 |
| Over 90 days | 16,300 | 17,907 |
| | <u>963,447</u> | <u>549,652</u> |



Notes to the Interim Financial Information (continued)

12. Share capital

| | Number of shares | Ordinary shares HK\$'000 |
|--------------------------------------|--------------------|-----------------------------|
| At 1 January 2008 | 730,897,425 | 73,090 |
| Cancellation of repurchased shares | <u>(6,666,000)</u> | <u>(667)</u> |
| At 31 December 2008 and 30 June 2009 | <u>724,231,425</u> | <u>72,423</u> |

- (a) The authorised share capital of the Company comprises of 1,000 million shares (as at 31 December 2008: 1,000 million shares) with a par value of HK\$0.10 per share (as at 31 December 2008: HK\$0.10 per share). All issued shares are fully paid.
- (b) During the year ended 31 December 2008, the Company repurchased and cancelled 6,666,000 of its own shares on the Stock Exchange at an aggregated consideration of HK\$18,500,000.
- (c) **Share options of the Company**

At the special general meeting of the Company held on 30 April 2002, an ordinary resolution was duly 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 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.

Notes to the Interim Financial Information (continued)

12. Share capital (continued)

(c) Share options of the Company (continued)

Movements in the number of share options outstanding during the Interim Period under the Share Option Scheme and their related weighted average exercise prices are as follows:

| | 2009 | | 2008 | |
|------------------------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|
| | Average exercise price per share HK\$ | Number of options | Average exercise price per share HK\$ | Number of options |
| At beginning and end of the period | <u>7.858</u> | <u>7,308,974</u> | <u>7.858</u> | <u>7,308,974</u> |

(d) Share options of 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. Under the 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 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 exercise 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 GEM of the Stock Exchange's daily quotation sheet on the five trading days immediately preceding the date of offer of the options; and (iii) the closing price of the shares of Midland IC&I quoted on the GEM of the Stock Exchange's daily quotation sheet on the date of offer of the options, which must be a business day as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The Scheme was terminated upon adoption of a new share option scheme on 19 September 2008 as set out in note 12(d)(ii). Termination of the Scheme would not prejudice the outstanding options granted under the Scheme, all outstanding share options under the Scheme were lapsed during the Interim Period.



Notes to the Interim Financial Information (continued)

12. Share capital (continued)

(d) Share options of Midland IC&I (continued)

(i) 2005 share option scheme (continued)

Movements in the number of share options outstanding during the Interim Period under the Scheme and their related weighted average exercise prices are as follows:

| | 2009 | | 2008 | |
|--------------------------|---------------------------------------|---------------------|---------------------------------------|-------------------|
| | Average exercise price per share HK\$ | Number of options | Average exercise price per share HK\$ | Number of options |
| As at 1 January | 0.06 | 83,000,000 | 0.06 | 83,000,000 |
| Lapsed during the period | | <u>(83,000,000)</u> | | <u>–</u> |
| As at 30 June | | <u>–</u> | 0.06 | <u>83,000,000</u> |

(ii) 2008 new share option scheme

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 exercise 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 quotation sheet on the five trading days immediately preceding the date of offer of the options; and (iii) the closing price of the shares quoted on the Main Board of the Stock Exchange’s daily quotation 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. As of 30 June 2009, no option has been granted under the New Scheme.

Notes to the Interim Financial Information (continued)

13. Borrowings

| | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|--|--------------------------------------|--|
| Non-current | | |
| Secured bank loans | 28,876 | 16,956 |
| Current | | |
| Secured bank loans | 2,856 | 1,722 |
| Liabilities associated with assets held for sale | – | 8,886 |
| | <u>31,732</u> | <u>27,564</u> |
| Total | <u>31,732</u> | <u>27,564</u> |

Movement in borrowings is analysed as follows:

| | 2009 HK\$'000 | 2008 HK\$'000 |
|-------------------------------|------------------|------------------|
| Balance as at 1 January | 27,564 | 83,516 |
| Add: drawdown of bank loan | 14,280 | – |
| Less: repayment of bank loans | <u>(10,112)</u> | <u>(52,551)</u> |
| Balance as at 30 June | <u>31,732</u> | <u>30,965</u> |



Notes to the Interim Financial Information (continued)

14. Trade and other payables

| | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|-----------------------------|--------------------------------------|--|
| Trade payables | 611,566 | 338,956 |
| Other payables and accruals | 350,919 | 263,554 |
| | <u>962,485</u> | <u>602,510</u> |

The trade payables represent principally the commission payable to property consultants and cooperative estate agents. The trade payables are due for payment only upon the receipt of corresponding agency fees from customers. The trade payables include commission payables of HK\$85,173,000 (as at 31 December 2008: HK\$42,559,000) which are due for payment within 30 days, and all the remaining trade payables are not yet due.

15. Capital commitment

| | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|--|--------------------------------------|--|
| Contracted but not provided for Property, plant and equipment | <u>-</u> | <u>22,942</u> |

Notes to the Interim Financial Information (continued)

16. Contingent liabilities

At 30 June 2009, the Company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries and an associated company of HK\$274,814,000 (as at 31 December 2008: HK\$276,534,000). In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly owned subsidiaries. At 30 June 2009, HK\$37,361,000 and HK\$13,588,000 of banking facilities were utilised by the subsidiaries and an associated company respectively (as at 31 December 2008: HK\$41,190,000 and HK\$15,642,000 respectively).

17. Related party transactions

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

| | Note | Six months ended 30 June | |
|---|-------|--------------------------|----------|
| | | 2009 | 2008 |
| | | HK\$'000 | HK\$'000 |
| (a) Transactions with related parties | | | |
| Agency fee income from: | | | |
| Related companies | (i) | 360 | 626 |
| Directors of the Company | (ii) | 48 | – |
| Operating lease rental expense in respect of offices and shops premises to: | | | |
| Related companies | (iii) | 825 | 2,956 |
| Directors of the Company | (iv) | 618 | – |
| (b) Key management compensation | | | |
| Salaries and commission, discretionary bonuses and other benefits | (v) | 42,087 | 34,091 |



Notes to the Interim Financial Information (continued)

17. Related party transactions (continued)

Notes:

- (i) Agency fee income from related companies represents agency fee for property agency to certain related companies, in which, a director of the Company has beneficial interests, on terms mutually agreed by both parties.
- (ii) Agency fee income from directors of the Company represents agency fee for property agency to directors of the Company, on terms mutually agreed by both parties.
- (iii) The Group entered into certain lease agreements with certain related companies, in which, a director of the Company has beneficial interests of these companies, on terms mutually agreed by both parties.
- (iv) The Group entered into lease agreements with directors of the Company, on terms mutually agreed by both parties.
- (v) The amount represents emolument paid or payable to directors of the Company for the period.

| | Note | As at 30 June 2009 HK\$'000 | As at 31 December 2008 HK\$'000 |
|-----------------------------|------|--------------------------------------|--|
| (c) Loan to a related party | (i) | <u>198</u> | <u>198</u> |

Note:

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