



A Close Link



 **美聯集團**
MIDLAND HOLDINGS
Midland Holdings Limited
▶ Incorporated in Bermuda with limited liability ◀
(S t o c k C o d e : 1 2 0 0)

Interim Report 2007



Corporate Information

DIRECTORS

Executive Directors

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

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

Ms LAM Fung Fong, Iris

Mr CHAN Kwan Hing, Vincent

Mr KWOK Ying Lung, Raymond

Independent Non-executive Directors

Mr KOO Fook Sun, Louis

Mr SUN Tak Chiu, Raymond

Mr WANG Ching Miao, Wilson

AUDIT COMMITTEE

Mr KOO Fook Sun, Louis

Mr SUN Tak Chiu, Raymond

Mr WANG Ching Miao, Wilson

REMUNERATION COMMITTEE

Mr WONG Kin Yip, Freddie

Ms LAM Fung Fong, Iris

Mr KOO Fook Sun, Louis

Mr SUN Tak Chiu, Raymond

Mr WANG Ching Miao, Wilson

NOMINATION COMMITTEE

Mr WONG Kin Yip, Freddie

Ms LAM Fung Fong, Iris

Mr KOO Fook Sun, Louis

Mr SUN Tak Chiu, Raymond

Mr WANG Ching Miao, Wilson

COMPANY SECRETARY

Ms LAM Fung Fong, Iris

QUALIFIED ACCOUNTANT

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

AUDITORS

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

PRINCIPAL BANKERS

Agricultural Bank of China
Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
UBS AG

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 REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre, 14 Bermudiana Road
Pembroke, 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 for the six months ended 30th June 2007 (the “Interim Period”) of the Company and its subsidiaries (collectively, the “Group”). The unaudited consolidated income statement, unaudited consolidated statement of changes in equity and unaudited consolidated cash flow statement for the Interim Period, and the unaudited consolidated balance sheet as at 30th June 2007, along with explanatory notes, are set out on pages 19 to 38 of this report.

Management Discussion and Analysis

Business Review

We are pleased to announce the best interim results in terms of net profit growth in a decade for the Group. In the first six months of 2007, the Group recorded earnings of HK\$230 million, rose 621% from the same period a year earlier. While achieving strong earnings growth, the Group found further success with improving operations, thus lowering costs. In the reporting period, our profit margin rose from 3% in the first half of 2006 to 15%, reflecting earnings growth in all business divisions. The Group has been steadfast in developing professional property brokerage and related value-added businesses; the first-half’s strong results proved that we are on the right track.

Management Culture: Pursuit of Excellence

In the first half, the Group’s revenue climbed while fixed rental expenses – a major cost – declined, thus testifying to our efforts in raising operating efficiency. The Group persisted in its pursuit of excellence to sharpen its competitive edge. Following through on the foundation laid last year, the Group persevered to negotiate proactively with developers and landlords more favourable leasing arrangements, thus achieving cost savings in this respect. Meanwhile, the Group also spent advertising effectively. In terms of total costs, the weightings of both major expense items came down markedly. The Group will continue to improve operational flexibility so as to raise sales prowess to meet changing market conditions.

Property Market Recovery: Rising Housing Demand

Hong Kong’s economy was on a growth path throughout the first half. Demand for housing was boosted as consumers and investors regained confidence and as interest rates remained stable. Sales transaction volume rose 35.3% in the reporting period, up noticeably from the year-ago level. Reflecting a true revival across the board, the market saw increased activity in all segments, ranging from luxury to mass residential units.

In addition, as the unemployment rate came down and salaries rose along with rental rates, a number of Hong Kong people opted to switch from renting to owning their homes. Property investment for rental returns also was on the rise, thus helping to boost market activity. Property sales, meanwhile, were stimulated by the government’s reduction of stamp duty at the start of the year for homes valued at HK\$1 million to HK\$2 million. A bull run on the local stock market, meanwhile, gave extra impetus to buying in the luxury residential segment.

Management Discussion and Analysis (continued)

Driven by developers' aggressive project launches, the number of transactions in the primary market more than doubled in the first half. We are pleased to report that the Group was able to excel in representing developers to sell brand new homes in a number of projects. In fact, in response to society's incessant demand that real estate agents raise professional standards, the Group has been strengthening collaborative efforts with developers and reaffirming the given value of the industry in the market.

Spin-off of Midland IC&I: Eye on High-end Segment

The Group also performed well in industrial and commercial (office and shop) property brokerage business. Midland IC&I Limited (stock code: 8090), the unit that the Group spun off on the Growth Enterprise Market in the middle of the year, reported net profit rise of 65% as well as a wider profit margin in the first half. We believe that the spin-off adds flexibility to the operation of this specialised division and will stimulate future growth, especially in the higher-end segments of the industrial and commercial properties market.

Rapid Economic Expansion: Improved Mainland Business

Across the border in the mainland and Macau, robust economic growth benefited the Group's mainland and Macau divisions. Turnover on the mainland rose 69% from the year-ago level, reflecting that a prudent but proactive strategy paid off. A marked improvement in our mainland business can be explained by these three factors: first, the mainland's property market was extremely strong in the first half, with value and volume both rising noticeably; second, the Group was able to ride the boom, expanding the scale of its network by 37%; third, operations became more established on the mainland, especially in Shenzhen, where successful collaboration with neighbouring Hong Kong to cross-sell formed a solid foundation for future growth.

International Accreditation: Industry Recognition

The Group once again won international kudos this year, having been named a "Consumers Choice 2007" company. To attain this recognition, the Group has been promoting a corporate culture of integrity and sincerity, as well as internationally conferred professional standards. The organizer of Consumers Choice 2007 had commissioned international market research firm Synovate to conduct a survey in the fourth quarter of 2006. The results showed that a larger number of more highly educated individuals and professionals picked Midland Realty as their first choice for real estate services. The Group gained international recognition in many areas, namely, management, branding, professional conduct, and corporate responsibility towards the community.



Management Discussion and Analysis (continued)

Prospects

We are confident of the Group's further growth. We believe that armed with a number of competitive edges in terms of strategy and financial resources, we shall be able to catch every market opportunity to take the Group one notch higher.

The second half of the year will be positive for real estate broking. Besides a sound local economy, property broking is likely to be helped by an interest rate cut in the US. If Hong Kong follows suit with rate reductions, the negative deposit rate phenomenon may reappear to spur property transactions. However, the legislation passed in the middle of the year requiring commissions to be included into the salary payouts will raise the Group's personnel costs.

Favourable Central Policy: Bright Sector Outlook

On an optimistic note, we project that the mass residential market will pick up steam in the second half. Although it is still too early to tell if the US subprime mortgage crisis will gravely dampen consumption sentiment, we have reason to believe that its impact so far has been to rock the stock markets and divert some investment capital to relatively healthy property markets, such as Hong Kong's. Moreover, as part of China and backed by the tremendous economic prowess of its hinterland, Hong Kong's fate increasingly will be tied more to the motherland than to overseas developments. In late August, the State Administration of Foreign Exchange announced that on a trial basis out of Tianjin, mainland individuals would be allowed to invest in the Hong Kong stock market directly. We believe that this so-called "through train" scheme will direct funds to Hong Kong as a whole, so that not just its stock market will expand to reinforce the city's position as a financial hub, but its property sector will also benefit.

Management Discussion and Analysis (continued)

The following factors will support growth in the property market in the second half:

1. *Limited supply*

In recent years, developers have been aggressive with launching projects but slow in replenishing their land banks. Even though their pace of making offers to trigger land auctions quickened in the past half year, the number of units that can be built on the restocked land is smaller than that of the units sold. In the first three quarters this year, the number of units sold exceeded the number that will be restocked by about 5,000. If the pace of replenishing land falls further behind, future supply will suffer a shortfall.

2. *Negative deposit rate*

On the one hand, inflation probably will not let up as rental rates rise. On the other hand, interest rates are expected to come down in the fourth quarter, given that the backwash of subprime woes may force the US Federal Reserve to lower its Fed funds rate. The two juxtaposed developments will create the negative deposit rate syndrome, making it no longer attractive to leave money in the bank. Money will flow instead into the property market, possibly triggering a repeat of the phenomenon in the mid 90's when negative interest rates led to a mini boom in Hong Kong properties.

3. *Low loan weighting*

Local home buyers have been quite cautious in recent years. On the affordability index, mortgage payments make up only about 30% of a household's take-home pay. Not only do Hong Kongers bear a relatively low mortgage burden but their borrowing weighting is also remarkably low. In other words, the potential buying power is huge.

4. *High savings rate*

The latest figures from the Hong Kong Monetary Authority indicated that Hong Kong's savings rate reached HK\$5,335.6 billion, the highest in the past decade. By contrast, in 1997 just before the Asian financial crisis, the total amount of savings was merely HK\$2,650.8 billion. Hong Kong is cash rich.

5. *Funds flow from the north*

As the price gap between mainland and Hong Kong properties close and as funds begin to flow in from the "through train" investment scheme, a trend is likely to develop for mainlanders to enter the Hong Kong real estate market. We anticipate mainland Chinese to play an increasingly active part in the sector.



Management Discussion and Analysis (continued)

Strengthened Cross-border Collaboration: Three-way Opportunities

In the past two years, Shenzhen's home prices have been catching up rapidly with Hong Kong levels. In fact, certain quality residential projects in that fast-developing Southern Chinese city are commanding higher prices than homes in the Northwest New Territories. In Macau, the breakup of the casino monopoly has led to a major boom. In light of these developments, the Group will strengthen co-operative efforts among the three cities to maximize business opportunities. Given the Group's tradition of managing with policies and procedures as opposed to letting individual preferences lead, we are confident that we can enhance the interactiveness of the three locations to scale new heights.

Bright Mainland Prospects: Step-by-step Expansion

The outlook is rosy in the mainland property scene. As it is, the room for expansion is certainly much more on the mainland than in Hong Kong. As the mainland property market has strong fundamentals, the various cooling measures introduced by the central government have done little to dent demand. We are of the opinion that a modest amount of tightening at the right time will help the market grow in an orderly manner in the long run. As the weaker links disintegrate and the market consolidates under such pressure, we believe that the Group will gain more opportunities to increase its market presence.

The Group will expand its operations on the mainland, using the strategy of first finding a firm foothold in core cities, then spreading its presence into peripheral areas. The objective is to balance risks and returns in the long run. At the Group's three major bases of Shenzhen, Shanghai and Chongqing, operations are established. This is especially so with Shenzhen, which is the main earnings driver for our mainland business.

This year marks the 10th anniversary of Hong Kong's return to Chinese sovereignty. In the past decade, the Group witnessed the perseverance that Hong Kongers showed to overcome setbacks and challenge the future. Backed by our competitive advantage, we shall continue to steer the Group along the growth track to reward investors for their support.

Management Discussion and Analysis (continued)

Financial Review

Liquidity, Financial Resources and Funding

As at 30th June 2007, the Group had bank balances and cash of HK\$682,902,000, whilst bank loans and overdrafts amounted to HK\$85,391,000. The Group's bank loans were secured by certain investment properties and other properties held by the Group with a total net book value of HK\$165,744,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	6,504
After 1 year but within 2 years	55,241
After 2 years but within 5 years	10,551
Over 5 years	13,095

The Group had unutilised banking facilities amounting to HK\$91,796,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollar, United States Dollar, Renminbi and Macau Pataca, and the Group's borrowings are in Hong Kong Dollar. Therefore the Directors consider the Group has no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 30th June 2007, the gearing ratio of the Group was 6.2%. 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.

Contingent Liabilities

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



Management Discussion and Analysis (continued)

Human Resources

As at 30th June 2007, the Group employed 6,932 full time employees of which 6,049 were sales agents and 883 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.

Group Restructuring

On 6th June 2007, the Company completed a group restructuring by transferring from Midland Realty (Strategic) Limited, the Company's indirect wholly-owned subsidiary, to Midland IC&I Limited ("Midland IC&I"), formerly known as "EVI Education Asia Limited", the Company's indirect non-wholly owned listed subsidiary, the entire issued share capital of Ketanfall Group Limited, the holding company of a group of companies principally engaged in the business of industrial and commercial (office and shop) property brokerage in Hong Kong at a total consideration of HK\$640 million satisfied by Midland IC&I issuing the convertible notes in the principal amount of HK\$540 million and HK\$100 million by cash.

Additional Information

Directors' Interests in Shares

As at 30th June 2007, 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 (i) 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 Director	Number of ordinary shares			Total	Percentage of issued share capital
	Personal interests	Corporate interests	Family interests		
Mr WONG Kin Yip, Freddie	29,636,000	107,494,144	-	137,130,144	18.72%
Ms TANG Mei Lai, Metty	-	-	137,130,144 (Note)	137,130,144	18.72%
Ms LAM Fung Fong, Iris	14,000	-	-	14,000	0.002%

Note:

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.

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

Save as disclosed above, as at 30th June 2007, 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

As at 30th June 2007, the interests or short positions of every person other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and the amounts of such interests and short position were as follows:

Name	Number of Shares	Capacity and nature of interest	Percentage of issued share capital
Sunluck Services Limited	107,494,144 (L)	Beneficial owner	14.68% (Note)
Southern Field Trading Limited	107,494,144 (L)	Interest in controlled corporation	14.68% (Note)
Fidelity International Limited	80,044,000 (L)	Investment manager	10.93%
The Capital Group Companies, Inc.	72,884,100 (L)	Investment manager	9.95%
JP Morgan Chase & Co.	468,000 (L) 50,514,000 (P)	Beneficial owner Approved lending agent	0.06% 6.90%
Deutsche Bank Aktiengesellschaft	44,611,100 (L) 4,904,000 (S)	Beneficial owner; Investment manager and Person having a security interest in shares Beneficial owner and Person having a security interest in shares	6.09% 0.67%
Universities Superannuation Scheme Limited	37,950,000 (L)	Trustee	5.18%
Remark: (L) – Long Position, (P) – Lending Pool, (S) – Short Position			

Note:

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.

Additional Information (continued)

Share Option Scheme

Share Option Scheme of the Company

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

(1) 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.

(2) 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.

(3) Total number of shares available for issue

Total number of shares available for issue are 42,895,583, representing approximately 5.87% of the issued share capital of the Company as at the date of this report.

(4) 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 in issue.



Additional Information (continued)

(5) 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 in issue and the aggregate value which based on the closing price of the shares 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/ other requirements prescribed under the Listing Rules from time to time.

(6) 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 be more than ten years from the date of grant.

(7) 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.

(8) Basis of determining the subscription price

The subscription price for the shares 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 as stated in the Stock Exchange's daily quotations sheet on the date of offer;
- (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 date of offer; and
- (iii) the nominal value of a share.

Additional Information (continued)

(9) The remaining life of the Share Option Scheme

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

During the Interim Period, no share option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

Share Option Scheme of Midland IC&I

At an extraordinary general meeting of Midland IC&I held on 6th June 2005, a share option scheme (the "Midland IC&I Share Option Scheme") of Midland IC&I was adopted and approved by its shareholders. The major terms of the Midland IC&I Share Option Scheme are summarised as follows:

(1) Purposes 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 Invested Entities to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to Midland IC&I and its subsidiaries ("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.

(2) Participants of the Midland IC&I 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.

(3) Total number of shares available for issue

Total number of shares available for issue are 747,000,000, representing approximately 9% of the issued share capital of Midland IC&I as at the date of this report.

Additional Information (continued)

(4) 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 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 grantee and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) from time to time.

(5) 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 substantial shareholder of Midland IC&I in any 12-month period shall not exceed 0.1% of the shares in issue and an aggregate value which based on the closing price of the shares 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 and the GEM Listing Rules from time to time.

(6) Time of exercise of Option

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

Additional Information (continued)

(7) Basis of determining the subscription price

The subscription price for the shares 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 as stated in the Stock Exchange's daily quotations sheet 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.

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

The Midland IC&I Share Option Scheme became effective on 6th June 2005 will remain in force for a period of ten years from the date of adoption.

The following table shows the particulars of the outstanding share options granted to a non-executive director of Midland IC&I under the Midland IC&I Share Option Scheme:-

Name	Date of grant	Exercise price HK\$	Number of share options		Balance outstanding as at 30th June 2007	Exercisable period	
			Balance outstanding as at 1st January 2007	Options granted during the Interim Period			Exercised/ cancelled/ lapsed during the Interim Period
Mr TSANG Link Carl, Brian	16th January 2006	0.06	41,500,000	-	-	41,500,000	1st April 2006 to 31st March 2009
	16th January 2006	0.06	41,500,000	-	-	41,500,000	1st June 2006 to 31st May 2009
			<u>83,000,000</u>			<u>83,000,000</u>	

Save as disclosed above, no share option were granted, exercised, cancelled or lapsed under the Midland IC&I Share Option Scheme during the Interim Period.



Additional Information (continued)

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

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

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.16 per share for the Interim Period (six months ended 30th June 2006: HK\$0.028) to shareholders of the Company whose names are recorded on the register of members of the Company as at the close of business on 28th September 2007. Dividend warrants will be dispatched to shareholders of the Company on or around 9th October 2007.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 2nd October 2007 to Thursday, 4th October 2007, both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 2007 interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Abacus Limited not later than 4:00 p.m. on 28th September 2007.

Review by Audit Committee

The Audit Committee has reviewed and discussed with the management of the Company the unaudited interim report. PricewaterhouseCoopers, the Company's auditors, have also reviewed the unaudited interim financial information for the six months ended 30th June 2007 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.

Code on Corporate Governance

The Company has complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the Interim Period.

Additional Information (continued)

Code of Conduct Regarding Securities Transactions by Directors

The Company has established 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 Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions for 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 thanks to all shareholders for their support and to all staff for their dedication.

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

Hong Kong, 17th September 2007



Unaudited Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	Note	30.6.2007 HK\$'000	30.6.2006 HK\$'000
Turnover	3	1,529,175	914,467
Other revenues	3	17,899	20,959
Total revenues		1,547,074	935,426
Other income	4	61,815	14,322
Staff costs		(825,884)	(498,854)
Depreciation and amortisation costs		(24,896)	(33,830)
Other operating costs	5	(488,856)	(375,070)
Operating profit		269,253	41,994
Finance costs	6	(3,474)	(1,495)
Share of profits less losses of jointly controlled entities		5,736	3,057
Profit before income tax		271,515	43,556
Income tax expenses	7	(43,935)	(15,081)
Profit for the period		227,580	28,475
Attributable to:			
Equity holders		230,266	31,932
Minority interests		(2,686)	(3,457)
		227,580	28,475
Interim dividend	9	116,944	20,571
Earnings per share	8		
Basic		HK31.44 cents	HK4.35 cents
Diluted		HK31.44 cents	HK4.34 cents

Unaudited Consolidated Balance Sheet

AS AT 30TH JUNE 2007

	Note	30.6.2007 HK\$'000	31.12.2006 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	72,536	77,805
Investment properties	10	181,970	27,548
Leasehold land and land use rights	10	105,261	106,346
Intangible assets	10	7,406	36,689
Interests in jointly controlled entities		17,452	11,716
Held-to-maturity investments		11,047	11,044
Available-for-sale financial assets		–	49,583
Financial assets at fair value through profit or loss		37,305	31,804
Deferred tax assets		24,922	18,434
		457,899	370,969
		-----	-----
Current assets			
Trade debtors	11	1,124,471	860,483
Other debtors, prepayments and deposits		151,811	146,166
Available-for-sale financial assets		9,672	–
Financial assets at fair value through profit or loss		70,412	19,984
Assets held for sale	16	10,500	–
Current tax assets		–	1,790
Cash at bank and in hand		682,902	529,824
		2,049,768	1,558,247
		-----	-----
Total assets		2,507,667	1,929,216



Unaudited Consolidated Balance Sheet (continued)

AS AT 30TH JUNE 2007

	Note	30.6.2007 HK\$'000	31.12.2006 HK\$'000
EQUITY			
Share capital	12	73,245	73,245
Share premium		273,062	273,062
Other reserves		990,400	729,678
Proposed dividend		–	52,737
		<u>1,336,707</u>	<u>1,128,722</u>
Equity holders		1,336,707	1,128,722
Minority interests		<u>37,569</u>	<u>65,697</u>
Total equity		<u>1,374,276</u>	<u>1,194,419</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	78,886	10,665
Deferred tax liabilities		5,141	750
		<u>84,027</u>	<u>11,415</u>
Current liabilities			
Trade creditors	15	586,024	393,960
Other creditors and accrued charges		420,628	327,644
Borrowings	14	6,505	1,778
Current tax liabilities		31,797	–
Liabilities associated with assets classified as held for sale	16	4,410	–
		<u>1,049,364</u>	<u>723,382</u>
Total liabilities		<u>1,133,391</u>	<u>734,797</u>
Total equity and liabilities		<u>2,507,667</u>	<u>1,929,216</u>
Net current assets		<u>1,000,404</u>	<u>834,865</u>
Total assets less current liabilities		<u>1,458,303</u>	<u>1,205,834</u>

Unaudited Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	Equity holders				Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000		
At 1st January 2007	73,245	273,062	(27,761)	810,176	65,697	1,194,419
Change in fair value of available-for-sales financial assets	-	-	11,601	-	-	11,601
Realisation upon disposal of available-for-sales financial assets	-	-	(8,719)	-	-	(8,719)
Currency translation differences	-	-	2,132	-	-	2,132
Net income recognised directly in equity	-	-	5,014	-	-	5,014
Profit for the period	-	-	-	230,266	(2,686)	227,580
Total recognised income for the period	-	-	5,014	230,266	(2,686)	232,594
Reserve arising from group reorganisation (note 13)	-	-	25,442	-	(25,442)	-
2006 final dividend paid	-	-	-	(52,737)	-	(52,737)
	-	-	30,456	177,529	(28,128)	179,857
At 30th June 2007	73,245	273,062	2,695	987,705	37,569	1,374,276
At 1st January 2006	73,466	281,212	(45,722)	692,382	71,049	1,072,387
Change in fair value of available-for-sales financial assets	-	-	10,022	-	-	10,022
Currency translation differences	-	-	494	-	13	507
Net income recognised directly in equity	-	-	10,516	-	13	10,529
Profit for the period	-	-	-	31,932	(3,457)	28,475
Total recognised income for the period	-	-	10,516	31,932	(3,444)	39,004
2005 final dividend paid	-	-	-	(11,755)	-	(11,755)
Employee share-based benefits	-	-	1,094	-	796	1,890
	-	-	1,094	(11,755)	796	(9,865)
At 30th June 2006	73,466	281,212	(34,112)	712,559	68,401	1,101,526



Unaudited Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	30.6.2007 HK\$'000	30.6.2006 HK\$'000
Net cash from operating activities	242,145	63,025
Net cash used in investing activities	(111,872)	(18,791)
Net cash from/(used in) financing activities	17,846	(26,154)
Net increase in cash and cash equivalents	148,119	18,080
Cash and cash equivalents at beginning of period	529,824	365,390
Effect of foreign exchange rate changes	1,658	507
Cash and cash equivalents at end of period	679,601	383,977
Analysis of balances of cash and cash equivalents:		
Cash at bank and in hand	682,902	397,238
Bank overdrafts	(3,301)	(13,261)
	679,601	383,977

Notes to the Financial Information

1. General information

Midland Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and listed on the Main Board at The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, Church Street, Hamilton HM 11, 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 Company and its subsidiaries (collectively the “Group”) are principally engaged in provision of property brokerage services in Hong Kong, Mainland China and Macau. The Group has more than 460 branches in Hong Kong, Macau and Mainland China.

2. Basis of preparation and 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 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange.

The interim financial information should be read in conjunction with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those adopted in the 2006 annual financial statements. For the six months ended 30th June 2007, the Group has also applied a number of new standards, amendments and interpretations that are effective for the accounting periods beginning on or after 1st January 2007 as follows:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Reporting and Impairment
HKFRS 7	Financial Instruments: Disclosures

The adoption of these new standards, amendments and interpretations does not have any significant impact on the results and financial position or changes in the accounting policies of the Group, with the exception of HKAS 1 (Amendment) and HKFRS 7 which require additional disclosures in the annual financial statements.

The Group has not early adopted HKFRS 8 “Operating Segments” that is relevant to its operation and mandatory for accounting period beginning or after 1st January 2009. HKFRS 8 requires the reporting of financial and descriptive information about the reportable segments on the basis of internal reports that are regularly reviewed by its management. The Group will apply HKFRS 8 for the accounting period beginning on 1st January 2009, but it does not expect application of this standard to have significant impact on its financial statements.



Notes to the Financial Information (continued)

3. Segment information

The Group is organised into four main business segments including residential property brokerage, industrial and commercial property brokerage, property leasing and internet education services. Sales transactions between the business segments are eliminated on presentation of segment information of the Group.

Other operations of the Group mainly comprise immigration consultancy services, web advertising services, advertising services and valuation business.

An analysis of the Group's segment information for the period by business segments is as follows:

	Six months ended 30th June 2007						Total HK\$'000
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Corporate and elimination HK\$'000	
Turnover							
External sales	1,335,344	193,831	-	-	-	-	1,529,175
Other revenues							
External sales	-	-	1,328	9,682	6,889	-	17,899
Inter-segment sales	-	-	5,043	-	1,638	(6,681)	-
Segment revenues	<u>1,335,344</u>	<u>193,831</u>	<u>6,371</u>	<u>9,682</u>	<u>8,527</u>	<u>(6,681)</u>	<u>1,547,074</u>
Segment results	<u>219,016</u>	<u>37,885</u>	<u>25,979</u>	<u>(30,408)</u>	<u>605</u>	<u>43,243</u>	<u>296,320</u>
Unallocated costs							<u>(36,586)</u>
Operating profit before interest income and finance costs							259,734
Net finance income							6,045
Share of profits less losses of jointly controlled entities	53	-	-	-	5,683	-	5,736
Profit before income tax							271,515
Income tax expenses							(43,935)
Profit for the period							<u>227,580</u>

Notes to the Financial Information (continued)

3. Segment information (continued)

	Six months ended and as at 30th June 2007						
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Corporate and elimination HK\$'000	Total HK\$'000
Segment assets	1,455,602	145,203	307,559	36,266	34,297	-	1,978,927
Interests in jointly controlled entities	3,500	-	-	-	13,952	-	17,452
Unallocated assets							511,288
Total assets							<u>2,507,667</u>
Segment liabilities	842,511	104,917	563	3,768	7,391	-	959,150
Unallocated liabilities							174,241
Total liabilities							<u>1,133,391</u>

	Residential	Industrial and commercial	Property	Internet	Others	Unallocated	Total
	property brokerage HK\$'000	property brokerage HK\$'000	leasing HK\$'000	education services HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure	14,442	156	155,977	68	24	-	170,667
Depreciation	14,799	3,488	91	387	39	64	18,868
Amortisation	-	-	914	4,943	-	171	6,028
Impairment charges	-	-	-	24,340	-	376	24,716
Other non-cash expenses/(income)	56,039	23,663	(18,279)	(6)	30	-	61,447



Notes to the Financial Information (continued)

3. Segment information (continued)

	Six months ended 30th June 2006						Total HK\$'000
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Corporate and elimination HK\$'000	
Turnover							
External sales	782,899	131,568	-	-	-	-	914,467
Other revenues							
External sales	-	-	1,723	12,558	6,678	-	20,959
Inter-segment sales	-	-	5,366	-	2,227	(7,593)	-
Segment revenues	<u>782,899</u>	<u>131,568</u>	<u>7,089</u>	<u>12,558</u>	<u>8,905</u>	<u>(7,593)</u>	<u>935,426</u>
Segment results	<u>4,104</u>	<u>27,742</u>	<u>12,096</u>	<u>(9,143)</u>	<u>2,366</u>	<u>12,917</u>	<u>50,082</u>
Unallocated costs							<u>(13,899)</u>
Operating profit before interest income and finance costs							36,183
Net finance income							4,316
Share of profits less losses of jointly controlled entities	(92)	-	-	-	3,149	-	<u>3,057</u>
Profit before income tax							43,556
Income tax expenses							<u>(15,081)</u>
Profit for the period							<u>28,475</u>

Notes to the Financial Information (continued)

3. Segment information (continued)

	Six months ended 30th June 2006 and as at 31st December 2006						
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Corporate and elimination HK\$'000	Total HK\$'000
Segment assets	1,013,233	117,409	103,513	153,126	22,033	-	1,409,314
Interests in jointly controlled entities	385	-	-	-	11,331	-	11,716
Unallocated assets							508,186
Total assets							1,929,216
Segment liabilities	601,037	67,218	1,026	6,264	8,095	-	683,640
Unallocated liabilities							51,157
Total liabilities							734,797

	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
	Capital expenditure	9,341	808	-	567	16	-
Depreciation	24,860	2,140	90	501	59	77	27,727
Amortisation	-	-	896	4,952	-	255	6,103
Impairment charges	-	-	-	131	-	-	131
Other non-cash expenses/(income)	34,936	11,160	(6,833)	2	(43)	-	39,222

No analysis of the Group's segment information by geographical segments is presented as no activities and operations of an internally reported geographical segment attributable to markets outside Hong Kong is more than 10% of the Group's activities and operations.



Notes to the Financial Information (continued)

4. Other income

	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Bank interest income	9,519	5,811
Dividend income from listed investments	2,530	1,484
Fair value gains on investment properties	18,279	6,833
Net realised and unrealised gains on financial assets at fair value through profit or loss	19,556	194
Realised gain on available-for-sale financial assets	8,719	–
Gain on disposal of an investment property	3,212	–
	<u>61,815</u>	<u>14,322</u>

5. Other operating costs

Other operating costs include the following charges:

	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Impairment of trade debtors	79,726	46,055
Impairment of goodwill	24,340	–
Impairment of property, plant and equipment	–	131
Loss on disposal of property, plant and equipment	1,491	2,851
	<u>1,491</u>	<u>2,851</u>

Notes to the Financial Information (continued)

6. Finance costs

	30.6.2007 HK\$'000	30.6.2006 HK\$'000
Interest on bank loans and overdrafts	907	1,217
Interest on securities margin financing	2,567	278
	<u>3,474</u>	<u>1,495</u>

7. Income tax expenses

	30.6.2007 HK\$'000	30.6.2006 HK\$'000
Current taxation		
Hong Kong profits tax	45,019	12,488
Overseas taxation	1,013	45
Deferred taxation	(2,097)	2,548
	<u>43,935</u>	<u>15,081</u>

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30.6.2006: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.



Notes to the Financial Information (continued)

8. Earnings per share

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

	30.6.2007 HK\$'000	30.6.2006 HK\$'000
Profit attributable to equity holders	230,266	31,932
Effect of dilutive potential ordinary shares	—	—
Profit for calculation of diluted earnings per share	<u>230,266</u>	<u>31,932</u>
	30.6.2007	30.6.2006
Weighted average number of shares for calculating basic earnings per share (thousands)	732,451	734,663
Adjustment for assumed conversion of share options (thousands)	—	1,534
Weighted average number of shares for calculating diluted earnings per share (thousands)	<u>732,451</u>	<u>736,197</u>
Basic earnings per share (HK cents)	<u>31.44</u>	<u>4.35</u>
Diluted earnings per share (HK cents)	<u>31.44</u>	<u>4.34</u>

9. Interim dividend

	30.6.2007 HK\$'000	30.6.2006 HK\$'000
Interim dividend declared of HK\$0.16 (2006: HK\$0.028) per ordinary share	<u>116,944</u>	<u>20,571</u>

Notes to the Financial Information (continued)

10. Capital expenditure

	Goodwill HK\$'000	Website costs and databases HK\$'000	Total intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Net book amount as at 1st January 2007	24,340	12,349	36,689	77,805	27,548	106,346
Additions	-	-	-	14,690	155,977	-
Disposals	-	-	-	(1,494)	(10,536)	-
Transfer to assets held for sale	-	-	-	-	(10,500)	-
Impairment charges	(24,340)	-	(24,340)	-	-	-
Depreciation and amortisation	-	(4,943)	(4,943)	(18,868)	-	(1,085)
Exchange differences	-	-	-	403	1,202	-
Change in fair value	-	-	-	-	18,279	-
Net book amount as at 30th June 2007	-	7,406	7,406	72,536	181,970	105,261
Net book amount as at 1st January 2006	24,340	22,244	46,584	119,813	99,670	123,482
Additions	-	-	-	10,732	-	-
Disposals	-	-	-	(2,834)	(1,540)	-
Transfer	-	-	-	415	(6,333)	5,918
Transfer to assets held for sale	-	-	-	(1,551)	-	(20,815)
Impairment charges	-	-	-	(131)	-	-
Depreciation and amortisation	-	(4,952)	(4,952)	(27,727)	-	(1,151)
Change in fair value	-	-	-	-	6,833	-
Net book amount as at 30th June 2006	24,340	17,292	41,632	98,717	98,630	107,434
Additions	-	-	-	5,596	5,268	-
Disposals	-	-	-	(2,958)	(76,430)	-
Write back of impairment	-	-	-	131	-	-
Depreciation and amortisation	-	(4,943)	(4,943)	(23,991)	-	(1,099)
Change in fair value	-	-	-	-	80	-
Exchange differences	-	-	-	310	-	11
Net book amount as at 31st December 2006	24,340	12,349	36,689	77,805	27,548	106,346



Notes to the Financial Information (continued)

11. Trade debtors

The trade debtors mainly represents agency fee receivable from customers whereby no general credit facilities is available. The customers are obliged to settle the amounts due upon the completion of the relevant agreements. The aging analysis of the Group's trade debtors was set out as follows:

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Not yet due	1,008,388	762,661
Within 30 days	47,009	32,588
31-60 days	23,642	22,318
61-90 days	26,829	14,366
Over 90 days	18,603	28,550
	<u>1,124,471</u>	<u>860,483</u>

12. Share capital

	Number of shares	Ordinary shares HK\$'000
At 1st January 2006 and 30th June 2006	734,663,425	73,466
Cancellation of repurchased shares	<u>(2,212,000)</u>	<u>(221)</u>
At 31st December 2006 and 30th June 2007	<u>732,451,425</u>	<u>73,245</u>

The authorised share capital of the Company comprises of 1,000 million shares (31st December 2006: 1,000 million shares) with a par value of HK\$0.10 per share (31st December 2006: HK\$0.10 per share). All issued shares are fully paid.

Notes to the Financial Information (continued)

12. Share capital (continued)

Share options

(a) The Company

At the special general meeting of the Company held on 30th 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 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 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 the Company as consideration for the grant.

During the period, no share option was granted, exercised, cancelled, lapsed or outstanding under the Share Option Scheme.

(b) Midland IC&I Limited ("Midland IC&I", formerly EVI Education Asia Limited)

On 6th June 2005, Midland IC&I, the Company's 51.81% owned subsidiary, adopted a new share option scheme (the "Midland IC&I Scheme") pursuant to an ordinary resolution. Pursuant to the Midland IC&I 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 (the "Midland IC&I Group"), 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 from 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 high of: (i) the nominal value of the Midland IC&I shares; (ii) the average of the closing price of the shares of Midland IC&I quoted on the GEM of the Stock Exchange 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 GEM of the Stock Exchange on the date of offer of the options, which must be a business day as defined in GEM Listing Rules. The Midland IC&I Scheme will remain in force for a period of 10 years commencing from 6th June 2005.

Particulars and movements of share options which were granted under the Midland IC&I Scheme are set out on page 16 of this report.



Notes to the Financial Information (continued)

13. Group reorganisation

On 6th June 2007, the Company completed a group reorganisation by the disposal of the entire interest of Ketanfall Group Limited ("Ketanfall"), a wholly owned subsidiary of the Company which is the holding company of a group of companies principally engaged in the business of industrial and commercial (office and shop) property brokerage in Hong Kong, to Midland IC&I, an indirect 51.81% owned subsidiary of the Company, for a consideration of HK\$640 million (the "Reorganisation"). The consideration was satisfied by (i) the issuance of convertible notes by Midland IC&I of the principal amount of HK\$540 million, and (ii) cash payment of HK\$100 million. Upon completion of the Reorganisation, Ketanfall and Midland IC&I have remained as indirect owned subsidiaries of the Company.

The Group applies the accounting policy of treating transactions with minority interests as transactions with equity holders of the Group. Accordingly, the net effect of the Reorganisation amounted to HK\$25,442,000 has been recorded in equity.

Notes to the Financial Information (continued)

14. Borrowings

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Non-current		
Secured bank loans	78,886	10,665
Current		
Bank overdrafts	3,301	–
Secured bank loans	3,204	1,778
	6,505	1,778
Total	85,391	12,443

The maturity of the bank loans are as follows:

	Secured bank loans	
	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Within 1 year	3,204	1,778
Between 1 and 2 years	55,240	1,778
Between 2 and 5 years	10,551	5,336
Wholly repayable within 5 years	68,995	8,892
Over 5 years	13,095	3,551
	82,090	12,443

15. Trade creditors

The trade creditors mainly represents the commission payable to property consultants and cooperative estate agents, and are due for payment only upon the receipt of corresponding agency fees from customers. The trade creditors included HK\$76,276,945 (31st December 2006: HK\$45,599,990) commissions payable which were due for payment within 30 days, with all the remaining trade creditors were not yet due.



Notes to the Financial Information (continued)

16. Assets and associated liabilities held for sale

In May 2007, the Group decided to dispose of an investment property with a fair value of HK\$10,500,000 as at 30th June 2007. This disposal was completed in August 2007 and the related secured loan of HK\$4,410,000 was then repaid. Accordingly, the assets and liabilities related to this property were presented separately in the balance sheet.

17. Financial guarantee

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

18. Related party transactions

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

	Note	30.6.2007 HK\$'000	30.6.2006 HK\$'000
(a) Transactions with related parties			
Agency fee income received from related companies	(i)	746	1,034
Advertising service income from a jointly controlled entity	(ii)	108	108
Commission paid to jointly controlled entities	(iii)	6	8
Operating lease rentals in respect of offices and shops premises	(iv)	<u>2,530</u>	<u>2,753</u>
(b) Key management compensation			
Salaries and commission, discretionary bonuses and other benefits	(v)	<u>40,673</u>	<u>14,198</u>
(c) Loan to a related party			
Balance receivable	(vi)	<u>198</u>	<u>198</u>

Notes to the Financial Information (continued)

18. Related party transactions (continued)

- (i) The amount represents agency fee revenue from certain related companies, in which, a director has beneficial interests of these companies.
- (ii) The amount represents marketing services provided to a jointly controlled entity.
- (iii) Commission paid to jointly controlled entities represents commission paid for property brokerage transactions referred by jointly controlled entities.
- (iv) Operating lease rentals paid to certain related companies, in which, a director has beneficial interests of these companies.
- (v) The amount represents emolument paid or payable to executive directors for the period.
- (vi) The loan advanced to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.