



Midland Holdings Limited  
Incorporated in Bermuda with limited liability  
(Stock Code 股份代號: 1200)

## Exploring Opportunities



Interim Report 2008

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



## Corporate Information

### DIRECTORS

#### Executive Directors

Mr WONG Kin Yip, Freddie

*(Chairman and Managing Director)*

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

Mr CHAN Kwan Hing, Vincent

*(Chief Executive Officer)*

Ms WONG Ching Yi, Angela

Ms LAM Fung Fong, Iris

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 (continued)

### 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  
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 Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### WEBSITE

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

### STOCK CODE

1200

The Board of Directors (the “Board” or the “Directors”) of Midland Holdings Limited (“Midland” or the “Company”) is pleased to present the interim report and unaudited financial information for the six months ended 30th June 2008 (the “Interim Period”) of the Company and its subsidiaries (collectively, the “Group”). The unaudited interim financial information, which comprises unaudited condensed consolidated income statement, unaudited condensed consolidated statement of changes in equity and unaudited condensed consolidated cash flow statement for the Interim Period, and the unaudited condensed consolidated balance sheet as at 30th June 2008, along with explanatory notes, is set out on pages 19 to 38 of this report.

## Management Discussion and Analysis

### Business Review

The Group recorded a 5% increase year on year in turnover to HK\$1.6 billion in the first half of this year, as compared to the overall market’s 13%\* growth in the value of property registrations, showing the rigorous operating environment and its challenges. With the intense market competition, we are committed to raising further the operational efficiency to bolster business performance.

#### Market Topped in First Half Year

According to the Land Registry records, the overall transaction volume continued to register a modest increase year on year during the Interim Period but was significantly lower compared to the second half of last year. The total number of property transactions dropped from around 14,400 in January to around 9,000 in June#. The market topped in first half year; property prices and transaction volume started to dwindle. As the Hong Kong stock market was adversely affected by the credit crunch and subprime mortgage trouble in the United States in the first six months of the year, the property sector was below expectation. Fortunately, the China factor continued to be a driving force as Hong Kong’s GDP gained solidly from its position as a gateway to the vast mainland hinterland and the sustained growth of the Chinese economy. The Hong Kong government’s introduction of a series of tax relief measures also gave the local economy a shot in the arm.

During the six-month period, fewer new projects were released for sale in the primary market with The Capitol, The Palazzo and Celestial Heights being the larger-sized developments on offer. While their sales fetched above-market prices, the secondary property market slackened during the six months.

#### Fine-tuning the Pace of Development in Mainland

The mainland property market has seen the top in the middle of last year followed by a wave of retrenchments and closures among certain property agencies. In 2008, the Group focused on the consolidation of our strategic development in China. While the mainland property market had witnessed no dramatic turnaround in the first six months of this year, the Group continued to enhance the management strategy and rationalise the retail network for future development there.

\* Given the normal one-month time lag between property transactions and registrations, the total transaction volume and value for the first half of this year was based on records released by the Land Registry between February and July 2008.

# After adjustment for the one-month time lag from the Land Registry’s record.



## Management Discussion and Analysis (continued)

### Building a Strong Brand

The Group has been in business for 35 years. Our management had gone through the property cycles solidly over the years, and the Group grasped every opportunity from the market changes to reinforce our leading position in the industry. In face of the competitor's extensive marketing campaign, we have adopted new marketing tactics to deepen penetration into the market in the first half year. In addition to traditional publicity channels, we have widened the spread to include outdoor marketing media as well as giving out souvenirs to customers. The Group is confident that the innovative initiatives will help strengthen further our leading position and make us the biggest beneficiary in the industry upon the property market's turnaround.

### Operating Costs On the Decline

Despite an increase in business revenue, the Group saw its net profit fall by 30% to HK\$160 million, mainly due to the surge in operating costs, including staff costs and lease rentals. Staff costs were pushed up by the factors such as the new legislation that includes commission in the calculation of wages and the increase in the number of staff. With the effect of the local economy's sustained growth, the Group encountered an upward trend in rental cost for retail branches upon lease renewal. In the face of the challenging environment, we are committed to strict cost control measures to lower operating costs progressively.

### A High Level of Professionalism Outstanding Entrepreneurs Award Granted

Effective people management is always the key to the Group's business success with particular emphasis on the best practices and quality of services among employees. We strive continuously to upgrade staff professionalism and ethics to serve customers. The presence of irregular practices or breaches by some unscrupulous players in recent years has attracted public concerns and highlighted the importance of professionalism for the industry. In this regard, the Group continued to uphold good corporate governance and promote our established stringent controls on integrity and service excellence to staff and the public through a series of marketing programmes. The Group strived to abstain from any unscrupulous sales practices. With deeply-rooted competitive advantages, we have reinforced our professional status in the local property agency industry, paving the way to expand further our presence in the marketplace. In addition, "Outstanding Entrepreneurs Award" was granted by the local magazine Capital Entrepreneur in May.

### Successful Listing of Midland IC&I Limited

Since the Group injected the entire interest of Industrial, Commercial and Shops division into its Growth Enterprise Market-listed subsidiary last year, the financial results have been very encouraging. In the first half of this year, the subsidiary, Midland IC&I Limited ("Midland IC&I"), recorded a 33% growth in profit. On 18th August, the listing of shares of Midland IC&I was transferred from the Growth Enterprise Market ("GEM") to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") – reflecting the strong potential for growth of its business and the Group's subsidiary assets. Today, we are the only property agency in the mainland, Hong Kong and Macau operating businesses with two Main Board-listed units.

## Management Discussion and Analysis (continued)

### Prospects

The performance of property market in the first half of this year was far worse than the second half of last year. Since summer, the sentiment has become more cautious with fewer transactions. In fact, the sales activity in the primary market began to lose pace in May. According to the Land Registry records, the monthly transaction volume exceeded 10,000 registrations on average in the first six months. The average volume fell to less than 10,000 registrations in July and August as investment demand declined significantly and buyers appeared to be more hesitant in entering the market.

We believe the weakened sentiment was caused by a series of unfavourable factors including spill-over effects of the slowing US and European property markets to Hong Kong as a result of the globalised economy, uncertainties surrounding the global economy as well as the credit crunch and subprime problem in the United States. The recent pullback of commodities and oil prices reflected underlying worries and concerns about the sustainability of the global economic growth. Investment interest in property and stock market were also dampened by the Chinese government's introduction of more macro-economic measures to rein in rising consumer prices in the face of stronger inflationary pressure.

However, the China factor has become more and more important to Hong Kong's economy compared to the effects of the US and European markets in recent years. Given the mainland's sustained growth, the outlook for Hong Kong's economy and property markets should continue to be positive. Nevertheless, the mainland's GDP was projected to reach 9.7% this year even with the nationwide austerity programme.

Earlier, the US government decided to rescue Fannie Mae and Freddie Mac to relieve the plight of its property sector. Obviously, fears of financial crisis and credit crunch in the United States drag on. By the same token, with a possible improvement in the global market sentiment and the low interest rate environment, we expect Hong Kong's local property market to see a steady growth. The Hong Kong government's well-established housing policy will be conducive to a stable development of the property sector, which is well supported by end-users including first-time homebuyers and upgraders' demand. For example, the recent sales of new projects such as SOHO 38 and Le Bleu Deux remained positive. With the continuous trend of negative interest rates and attractive rental return, some buyers choose to invest in property market and shop around for inexpensive units. The Group is still optimistic about the property market's development in the medium to long term.



## Management Discussion and Analysis (continued)

### Repositioning for New Challenges

The Group recognises that the market's activity is likely to be volatile even if property prices command a stable prospect. Developers' marketing strategies for new projects will be another key factor to the property market's performance. The Group is well prepared to take on the challenges arising from the fluctuations of transactions in the marketplace with enhancements in both upstream and downstream business development.

The Group has waded through all the ups and downs to grow our business in the past 35 years, even in a market retrenchment. During the property corrections between 1998 and 2003, for example, we adopted a prudent yet progressive business strategy and hence successfully strengthened our leading position in the market. The buoyant market over the last two years encouraged many smaller agencies to expand business aggressively. Figures compiled by the Estate Agents Authority showed that there were 4,257 estate agent licences (Shop) in the first half of this year, up from 3,880 at the start of 2007. However, we believe that this trend will be reversed in the second half of this year. Since keen competition will continue, a decline in transaction volume will inevitably make it difficult for small and medium-sized agencies to build their businesses. In such circumstances, the Group is positive about the business prospect with reasonable market competition.

Property agency has been always the Group's core business with its affiliates established in recent years also focusing on related business activities. Accordingly, the Group's financial results are inextricably linked with the property market's movements. We have formulated a series of initiatives to raise further business efficiency to cope with the possible market fluctuations and hence to mitigate any undesirable impact. A comprehensive range of enhancement measures have been put in place to rationalise and maximise the use of staff resources and our retail network with better cost controls to meet changing market needs. The Group will also explore business opportunities with new approach in a quiet market and gear up strategically for the next round of property rally to maximize market share.

### Control Costs and Trimming Structure

The Group will take the initiative to lower labour costs, material costs and financial costs. Some branches may be relocated from high rental premises to less expensive properties in the same neighbourhood, thus achieving substantial savings on respective branches' rental costs. Other operating costs such as marketing and administrative expenses will also be strictly monitored to improve cost efficiency for staff and shareholders' benefit.

### Strengthen Management Team

To meet the challenge ahead, the Group has invited various professionals to join our management team. Integrating with existing management, they will surely improve the competitive edge of the Group. The Group has also selected a group of the potential staff, cultivating young minds for stronger management and providing them with appropriate training that make them become "Second Tier Management Prospects".

## Management Discussion and Analysis (continued)

### Financial Review

#### Liquidity, Financial Resources and Funding

As at 30th June 2008, the Group had bank balances and cash of HK\$1,068,242,000, whilst bank loans amounted to HK\$30,965,000. The Group's bank loans, including amount of HK\$8,962,000 classified as liabilities associated with assets held for sale in unaudited condensed consolidated balance sheet, are secured by certain investment properties, other properties and asset held for sale held by the Group with a total net book value of HK\$69,830,000 and with maturity profile are set out as follows:

Repayable	HK\$'000
Within 1 year	11,684
After 1 year but within 2 years	2,788
After 2 years but within 5 years	8,809
Over 5 years	7,684

As at 30th June 2008, the Group had unutilised banking facilities amounting to HK\$208,027,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollar, United States Dollar, Renminbi and Macau Pataca. The Group's borrowings are in Hong Kong Dollar and Renminbi. No currency hedging tool is used. The exchange loss arising from appreciation of Renminbi relevant to borrowings is HK\$1,067,000. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 30th June 2008, 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.

#### 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 2008, the Group employed 8,228 full time employees of which 7,026 were sales agents and 1,202 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

### Change in Directorship

Ms WONG Ching Yi, Angela was appointed as Executive Director of the Company with effect from 20th March 2008.

### Directors' Interests and Chief Executive's Interests and Short Position in the Shares, Underlying Shares and Debentures

As at 30th June 2008, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Directors	Number of Ordinary Shares			Underlying Shares	Total	Percentage of Interest in Shares
	Personal Interests	Corporate Interests	Family Interests			
Mr WONG Kin Yip, Freddie	29,636,000	43,494,144	–	–	73,130,144	10.01%
Ms TANG Mei Lai, Metty	–	–	73,130,144 (Note 1)	–	73,130,144	10.01%
Ms LAM Fung Fong, Iris	14,000	–	–	–	14,000	0.002%
Ms WONG Ching Yi, Angela	–	–	–	7,308,974 (Note 2)	7,308,974	1%

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 30th June 2008, 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 2008, 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	Percentage of Interest in Shares
Sunluck Services Limited	43,494,144 (L)	Beneficial owner	5.95% (Note)
Southern Field Trading Limited	43,494,144 (L)	Interest of controlled corporation	5.95% (Note)
UBS AG	43,005,069 (L)	Beneficial owner; Person having a security interest in shares; Interest of controlled corporation	5.88%
	5,190,750 (S)	Beneficial owner; Interest of controlled corporation	0.71%
JP Morgan Chase & Co.	53,471,461 (L)	Beneficial owner	7.32%
	2,000,000 (S)	Beneficial owner	0.27%
	51,471,461 (P)	Approved lending agent	7.04%
Third Avenue Management LLC, on behalf of numerous portfolios	42,420,000 (L)	Investment Manager	5.8%
Universities Superannuation Scheme Limited	37,950,000 (L)	Trustee	5.19%
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

#### Midland Share Option Scheme

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 35,636,609, representing approximately 4.87% 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 10 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 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 that date.

Details of the share options granted to Ms WONG Ching Yi, Angela on 22nd 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\$	Balance	Options	Exercised/ cancelled/ lapsed	Balance	Exercisable period
			outstanding as at 1st January 2008	granted during the Interim Period	during the Interim Period	outstanding as at 30th June 2008	
Ms WONG Ching Yi, Angela (Note)	22nd October 2007	7.858	3,654,487	-	-	3,654,487	1st February 2008 to 31st January 2011
	22nd October 2007	7.858	3,654,487	-	-	3,654,487	1st August 2008 to 31st July 2011
			<u>7,308,974</u>			<u>7,308,974</u>	

Note: Ms WONG Ching Yi, Angela was appointed as an Executive Director of the Company on 20th March 2008.

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

## Additional Information (continued)

### Midland IC&I Existing Share Option Scheme

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

(a) Purpose

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 the 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.

(b) 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.

(c) 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.

(d) Maximum entitlement of each Eligible Person

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

## Additional Information (continued)

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

The maximum number of shares issued and to be issued upon exercise of options granted under the Midland IC&I Share Option Scheme and any other share option schemes of Midland IC&I to each eligible person who is an independent non-executive director or substantial shareholder of Midland IC&I or, for so long as Midland IC&I remains a subsidiary of the Company, of the Company, or any of their respective associates, 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.

(f) Time of exercise of Option

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

(g) 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.

## Additional Information (continued)

### (h) 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 that date.

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

Name	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2008	Options granted during the Interim Period	Exercised/ cancelled/ lapsed during the Interim Period	Balance outstanding as at 30th June 2008	Exercisable 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)

### Proposed Adoption of the 2008 Share Option Scheme by Midland IC&I

On 18th August 2008, the listing of shares of Midland IC&I was successfully transferred from GEM to the Main Board of the Stock Exchange. In connection with the above, Midland IC&I proposes to seek approval from its shareholders at an extraordinary general meeting to be held on 19th September 2008 for the adoption of a new Share Option Scheme (the "Midland IC&I 2008 Share Option Scheme") in compliance with Chapter 17 of the Listing Rules and the existing Midland IC&I Share Option Scheme will be terminated in accordance with its terms after all the conditions of the Midland IC&I 2008 Share Option Scheme have been fulfilled. The adoption of the Midland IC&I 2008 Share Option Scheme by Midland IC&I has been approved by the shareholders of the Company, the holding company of Midland IC&I, at the special general meeting held on 18th September 2008.

### Purchase, Sale or Redemption of Shares

During the Interim Period, a total of 578,000 ordinary shares of HK\$0.10 each of the Company were purchased by the Company at prices ranging from HK\$4.77 to HK\$4.93 per share through the Stock Exchange (Note). The Directors considered that the share purchases would lead to an enhancement of the earnings per share of the Group. Details of the purchases are as follows:

Month of the purchases	Total number of ordinary shares purchased	Purchases price per share		Aggregate cost HK\$
		Highest HK\$	Lowest HK\$	
June 2008	578,000	4.93	4.77	2,801,060
	578,000			2,801,060

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

Note: These purchased shares have been cancelled and destructed with effect from 4th July 2008.

### Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.065 per share for the Interim Period (six months ended 30th June 2007: HK\$0.16 per share) to shareholders of the Company whose names are recorded on the register of members of the Company as at the close of business on 3rd October 2008. Dividend warrants will be dispatched to shareholders of the Company on or around 17th October 2008.

## **Additional Information** (continued)

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

The register of members of the Company will be closed from Friday, 3rd October 2008 to Wednesday, 8th October 2008, both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 2008 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 4:10 p.m. on 2nd October 2008.

### **Review of Interim Report**

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

### **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 contained in Appendix 14 of the Listing Rules throughout the Interim Period.

### **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.

Specific enquiries had been made to all the Directors and the 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 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 thanks to all shareholders for their support and to all staff for their hard work and dedication throughout the Interim Period.

By Order of the Board  
**WONG Kin Yip, Freddie**  
*Chairman and Managing Director*

Hong Kong, 18th September 2008

## Unaudited Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2008

	Note	Six months ended	
		30.6.2008 HK\$'000	30.6.2007 HK\$'000
Revenues	3	1,627,670	1,547,074
Other income	4	21,669	52,296
Staff costs		(914,057)	(825,884)
Rebate commissions		(17,412)	(30,828)
Advertising and promotion expenses		(144,798)	(120,859)
Operating lease charges in respect of office and shop premises		(153,649)	(128,650)
Impairment of trade receivable		(70,011)	(79,726)
Depreciation and amortisation costs		(20,706)	(24,896)
Other operating costs		(151,855)	(128,793)
Operating profit	5	176,851	259,734
Finance income	6	9,859	9,519
Finance costs	6	(1,644)	(3,474)
Share of profits less losses of jointly controlled entities		9,361	5,736
Profit before taxation		194,427	271,515
Taxation	7	(34,154)	(43,935)
Profit for the period		160,273	227,580
Attributable to :			
Equity holders		152,210	230,266
Minority interests		8,063	(2,686)
		160,273	227,580
Earnings per share	8		
Basic		HK20.83 cents	HK31.44 cents
Diluted		HK20.79 cents	HK31.44 cents
Interim dividend	9	47,445	116,944

## Unaudited Condensed Consolidated Balance Sheet

AS AT 30TH JUNE 2008

	Note	30.06.2008 HK\$'000	31.12.2007 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	92,585	83,429
Investment properties	10	54,250	68,713
Leasehold land and land use rights	10	121,423	122,656
Intangible assets	10	–	–
Interests in jointly controlled entities		25,747	26,370
Deferred taxation assets		18,944	29,176
		<u>312,949</u>	<u>330,344</u>
<b>Current assets</b>			
Trade and other receivables	11	1,489,009	1,827,749
Held-to-maturity investments		11,050	11,050
Financial assets at fair value through profit or loss		93,376	106,513
Assets held for sale	15	28,000	97,926
Cash and bank balances		1,068,242	1,046,033
		<u>2,689,677</u>	<u>3,089,271</u>
<b>Total assets</b>		<u>3,002,626</u>	<u>3,419,615</u>

## Unaudited Condensed Consolidated Balance Sheet (continued)

AS AT 30TH JUNE 2008

	Note	30.06.2008 HK\$'000	31.12.2007 HK\$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	12	73,090	73,090
Share premium		265,317	265,317
Other reserves		1,197,250	1,086,289
Proposed dividend		47,445	226,578
		<u>1,583,102</u>	<u>1,651,274</u>
<b>Minority interests</b>		<u>61,402</u>	<u>53,339</u>
<b>Total equity</b>		<u>1,644,504</u>	<u>1,704,613</u>
<b>Non-current liabilities</b>			
Borrowings	13	19,281	28,200
Deferred taxation liabilities		2,279	3,570
		<u>21,560</u>	<u>31,770</u>
<b>Current liabilities</b>			
Trade and other payables	14	1,185,971	1,514,188
Borrowings	13	2,722	3,376
Taxation payable		138,907	113,728
Liabilities associated with assets held for sale	15	8,962	51,940
		<u>1,336,562</u>	<u>1,683,232</u>
<b>Total liabilities</b>		<u>1,358,122</u>	<u>1,715,002</u>
<b>Total equity and liabilities</b>		<u>3,002,626</u>	<u>3,419,615</u>
<b>Net current assets</b>		<u>1,353,115</u>	<u>1,406,039</u>
<b>Total assets less current liabilities</b>		<u>1,666,064</u>	<u>1,736,383</u>

## Unaudited Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2008

	Six months ended	
	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Net cash from operating activities	197,313	242,145
Net cash from / (used in) investing activities	99,637	(111,872)
Net cash (used in) / from financing activities	<u>(280,197)</u>	<u>17,846</u>
Net increase in cash and cash equivalents	16,753	148,119
Cash and cash equivalents at beginning of period	1,046,033	529,824
Effect of foreign exchange rate changes	<u>5,456</u>	<u>1,658</u>
Cash and cash equivalents at end of period	<u>1,068,242</u>	<u>679,601</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balance	1,068,242	682,902
Bank overdrafts	<u>-</u>	<u>(3,301)</u>
	<u>1,068,242</u>	<u>679,601</u>

## Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH JUNE 2008

	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 1st January 2008	73,090	265,317	13,398	1,299,469	53,339	1,704,613
Currency translation differences	-	-	6,196	-	-	6,196
Profit for the period	-	-	-	152,210	8,063	160,273
Total recognised income for the period	-	-	6,196	152,210	8,063	166,469
2007 final dividend paid	-	-	-	(226,578)	-	(226,578)
At 30th June 2008	73,090	265,317	19,594	1,225,101	61,402	1,644,504
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	-	-	25,442	-	(25,442)	-
2006 final dividend paid	-	-	-	(52,737)	-	(52,737)
	-	-	25,442	(52,737)	(25,442)	(52,737)
At 30th June 2007	73,245	273,062	2,695	987,705	37,569	1,374,276

# Notes to the 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 brokerage services in Hong Kong, Mainland China and Macau.

## 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 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 accounting policies and methods of computation for the preparation of the interim financial information are consistent with those used in the preparation of the Group’s financial statements for the year ended 31st December 2007.

The following new standard and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1st January 2009 or later periods, but relevant to the Group and have not been early adopted:

HKAS 1 (Revised)	Presentation of Financial Statement
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 2 (Revised)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments

The Group will apply these standard and amendments for its financial periods commencing on or after 1st January 2009, but they are not expected to have any significant impact on the financial position of the Group.

## Notes to the Financial Information (continued)

### 3. Segment information

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

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

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

	Six months ended 30th June 2008					
	Residential property brokerage HK\$'000	Industrial and commercial property and shop brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenues						
External sales	1,394,429	216,314	1,918	15,009	–	1,627,670
Inter-segment sales	–	–	6,272	1,587	(7,859)	–
Segment revenues	<u>1,394,429</u>	<u>216,314</u>	<u>8,190</u>	<u>16,596</u>	<u>(7,859)</u>	<u>1,627,670</u>
Segment results	<u>148,925</u>	<u>35,763</u>	<u>27,994</u>	<u>198</u>	<u>41,123</u>	254,003
Unallocated income						633
Unallocated costs						<u>(77,785)</u>
Operating profit						176,851
Finance income, net						8,215
Share of profits less losses of jointly controlled entities	(52)	–	–	9,413	–	<u>9,361</u>
Profit before taxation						194,427
Taxation						<u>(34,154)</u>
Profit for the period						<u>160,273</u>

## Notes to the Financial Information (continued)

### 3. Segment information (continued)

	Six months ended and as at 30th June 2008					
	Residential property brokerage HK\$'000	Industrial and commercial property and shop brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Corporate HK\$'000	Total HK\$'000
Segment assets	1,503,052	356,929	177,272	71,156	–	2,108,409
Interests in jointly controlled entities	394	–	–	25,353	–	25,747
Unallocated assets						868,470
<b>Total assets</b>						<b>3,002,626</b>
Segment liabilities	1,081,588	192,085	2,662	19,037	–	1,295,372
Unallocated liabilities						62,750
<b>Total liabilities</b>						<b>1,358,122</b>
Capital expenditure	26,689	1,787	–	957	–	29,433
Depreciation	16,685	2,013	182	532	61	19,473
Amortisation	–	–	1,062	–	171	1,233
Other non-cash expenses/(income)	54,933	15,078	(8,468)	–	–	61,543

## Notes to the Financial Information (continued)

### 3. Segment information (continued)

	Six months ended 30th June 2007					
	Residential property brokerage HK\$'000	Industrial and commercial property and shop brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenues						
External sales	1,335,344	193,831	1,328	16,571	–	1,547,074
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>18,209</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>(29,803)</u>	<u>43,243</u>	296,320
Unallocated income						30,805
Unallocated costs						<u>(67,391)</u>
Operating profit						259,734
Finance income, net						6,045
Share of profits less losses of jointly controlled entities	53	–	–	5,683	–	<u>5,736</u>
Profit before taxation						271,515
Taxation						<u>(43,935)</u>
Profit for the period						<u>227,580</u>

## Notes to the Financial Information (continued)

### 3. Segment information (continued)

	Six months ended 30th June 2007 and as at 31st December 2007					
	Residential property brokerage HK\$'000	Industrial and commercial property and shop brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Corporate HK\$'000	Total HK\$'000
Segment assets	1,860,891	347,813	262,534	71,440	–	2,542,678
Interests in jointly controlled entities	365	–	–	26,005	–	26,370
Unallocated assets						850,567
<b>Total assets</b>						<b>3,419,615</b>
Segment liabilities	1,339,833	196,577	2,425	8,747	–	1,547,582
Unallocated liabilities						167,420
<b>Total liabilities</b>						<b>1,715,002</b>
Capital expenditure	14,442	156	155,977	92	–	170,667
Depreciation	14,799	3,488	91	426	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)	24	–	61,447

## Notes to the Financial Information (continued)

### 3. Segment information (continued)

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.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, trade and other receivable and operating cash. Segment liabilities comprise operating liabilities and mainly exclude taxation payable.

### 4. Other income

	Six months ended	
	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Dividend income from listed investments	633	2,530
Fair value gains on investment properties and assets held for sale	8,468	18,279
Net realised and unrealised gains on financial assets at fair value through profit or loss	–	19,556
Realised gain on available-for-sale financial assets	–	8,719
Gain on disposal of investment properties and assets held for sale	12,568	3,212
	<u>21,669</u>	<u>52,296</u>

### 5. Operating profit

Operating profit is arrived at after charging:

	Six months ended	
	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Impairment of goodwill	–	24,340
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	<u>2,525</u>	<u>1,491</u>

## Notes to the Financial Information (continued)

### 6. Finance income and costs

	Six months ended	
	30.6.2008	30.6.2007
	HK\$'000	HK\$'000
Finance income		
Bank interest income	9,859	9,519
Finance costs		
Interest on bank loans and overdrafts	(1,495)	(907)
Interest on securities margin financing	(149)	(2,567)
	(1,644)	(3,474)
Finance income, net	8,215	6,045

### 7. Taxation

	Six months ended	
	30.6.2008	30.6.2007
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	25,156	45,019
Overseas taxation	57	1,013
Deferred	8,941	(2,097)
	34,154	43,935

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30.6.2007: 17.5%) 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 Financial Information (continued)

### 8. Earnings per share

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

	Six months ended	
	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Profit attributable to equity holders	<u>152,210</u>	<u>230,266</u>
Weighted average number of shares for calculating basic earnings per share (thousands)	730,897	732,451
Adjustment for assumed conversion of share options (thousands)	<u>1,067</u>	<u>–</u>
Weighted average number of shares for calculating diluted earnings per share (thousands)	<u>731,964</u>	<u>732,451</u>
Basic earnings per share (HK cents)	<u>20.83</u>	<u>31.44</u>
Diluted earnings per share (HK cents)	<u>20.79</u>	<u>31.44</u>

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

### 9. Interim dividend

	Six months ended	
	30.6.2008 HK\$'000	30.6.2007 HK\$'000
Interim dividend declared of HK\$0.065 (2007: HK\$0.16) per ordinary share	<u>47,445</u>	<u>116,944</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
Opening net book amount as at 1st January 2008	-	-	-	83,429	68,713	122,656
Additions	-	-	-	29,433	-	-
Disposals	-	-	-	(2,595)	-	-
Transfer to assets held for sale	-	-	-	-	(24,900)	-
Depreciation and amortisation	-	-	-	(19,473)	-	(1,233)
Exchange differences	-	-	-	1,791	1,985	-
Change in fair value	-	-	-	-	8,452	-
Closing net book amount as at 30th June 2008	-	-	-	92,585	54,250	121,423
Opening 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	(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	-
Closing net book amount as at 30th June 2007	-	7,406	7,406	72,536	181,970	105,261
Additions	375	-	375	27,979	10,253	-
Disposals	-	-	-	(1,206)	(17,250)	-
Transfer from investment properties to property, plant and equipment	-	-	-	600	(600)	-
Transfer from investment properties to leasehold land and land use rights	-	-	-	-	(18,480)	18,480
Transfer to assets held for sale	-	-	-	-	(87,426)	-
Impairment	(375)	(2,463)	(2,838)	(168)	-	-
Depreciation and amortisation	-	(4,943)	(4,943)	(17,579)	-	(1,085)
Exchange differences	-	-	-	1,267	2,115	-
Change in fair value	-	-	-	-	(1,869)	-
Closing net book amount as at 31st December 2007	-	-	-	83,429	68,713	122,656

## Notes to the Financial Information (continued)

### 11. Trade and other receivables

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Trade receivables	1,308,198	1,656,317
Other receivables, prepayment and deposits	180,811	171,432
	<u>1,489,009</u>	<u>1,827,749</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 due upon the completion of the relevant agreements. The aging analysis of the Group's trade receivables is set out as follows:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Not yet due	1,018,621	1,380,571
Within 30 days	79,396	79,578
31-60 days	108,756	65,354
61-90 days	47,446	37,955
Over 90 days	53,979	92,859
	<u>1,308,198</u>	<u>1,656,317</u>

## Notes to the Financial Information (continued)

### 12. Share capital

	Number of shares	Ordinary shares HK\$'000
At 1st January 2007	732,451,425	73,245
Cancellation of shares purchased	(1,554,000)	(155)
At 31st December 2007 and 30th June 2008	<u>730,897,425</u>	<u>73,090</u>

- (a) The authorised share capital of the Company comprises of 1,000 million shares (31st December 2007: 1,000 million shares) with a par value of HK\$0.10 per share (31st December 2007: HK\$0.10 per share). All issued shares are fully paid.
- (b) During the Interim Period, a total of 578,000 ordinary shares of the Company of HK\$0.10 each were purchased by the Company at prices ranging from HK\$4.77 to HK\$4.93 per share through the Stock Exchange. These purchased shares were subsequently cancelled with effect from 4th July 2008.
- (c) **Share options of the Company**

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

Particulars and movements of share options which were granted under the Share Option Scheme are set out in pages 11 to 13 of this report.

## Notes to the Financial Information (continued)

### 12. Share capital (continued)

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

On 6th June 2005, Midland IC&I, the Company's 51.81% owned subsidiary, adopted Midland IC&I Share Option Scheme pursuant to an ordinary resolution. Pursuant to the Midland IC&I Share Option 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 affiliates, 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 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 higher 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 Share Option 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 Share Option Scheme are set out in pages 14 to 17 of this report.

On 18th August 2008, the listing of shares of Midland IC&I was transferred from GEM to the Main Board of the Stock Exchange. In connection with this, Midland IC&I proposes to seek approval of its shareholders at an extraordinary general meeting to be held on 19th September 2008 for the adoption of the Midland IC&I 2008 Share Option Scheme and the existing Midland IC&I Share Option Scheme will be terminated in accordance with its terms after all the conditions of the Midland IC&I 2008 Share Option Scheme have been fulfilled. The adoption has been approved by shareholders of the Company at the special general meeting held on 18th September 2008.

## Notes to the Financial Information (continued)

### 13. Borrowings

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Non-current		
Secured bank loans	19,281	28,200
Current		
Secured bank loans	2,722	3,376
Liabilities associated with assets held for sale	8,962	51,940
Total	<u>30,965</u>	<u>83,516</u>

The borrowings are payable as follows:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Within 1 year	11,684	55,316
Between 1 and 2 years	2,788	3,488
Between 2 and 5 years	8,809	11,204
Wholly repayable within 5 years	23,281	70,008
Over 5 years	7,684	13,508
	<u>30,965</u>	<u>83,516</u>

## Notes to the Financial Information (continued)

### 14. Trade and other payables

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Trade payables	755,917	1,022,017
Other payable and accruals	430,054	492,171
	<u>1,185,971</u>	<u>1,514,188</u>

The trade payables mainly represent 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 payables included HK\$96,891,000 (31st December 2007: HK\$151,810,000) commissions payable which were due for payment within 30 days, with all the remaining trade payables not yet due.

### 15. Assets and associated liabilities held for sale

The Group has determined to dispose of certain investment properties with aggregated fair value of HK\$28,000,000 (31st December 2007: HK\$97,926,000) as at 30th June 2008. The related secured loan of HK\$8,962,000 (31st December 2007: HK\$51,940,000) will be repaid upon completion of the disposals. Accordingly, these assets and liabilities are presented separately in the balance sheet.

### 16. Capital commitment

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Property, plant and equipment Contracted but not provided for	<u>27,858</u>	<u>29,688</u>

### 17. Contingent Liabilities

At 30th June 2008, the Company executed corporate guarantee amounting to HK\$311,800,000 (for the year ended 31st December 2007: HK\$311,800,000) 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. At 30th June 2008, banking facilities in the amount of HK\$36,106,000 were utilised by the subsidiaries (for the year ended 31st December 2007: HK\$97,291,000).

## Notes to the Financial Information (continued)

### 18. Related party transactions

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

	Note	30.6.2008 HK\$'000	30.6.2007 HK\$'000
<b>(a) Transactions with related parties</b>			
Agency fee income from related companies	(i)	626	746
Operating lease rentals in respect of offices and shops premises to related companies	(ii)	<u>2,956</u>	<u>2,530</u>
<b>(b) Key management compensation</b>			
Salaries and commission, discretionary bonuses and other benefits	(iii)	<u>34,091</u>	<u>40,673</u>
<b>(c) Loan to a related party</b>			
Balance receivable	(iv)	<u>198</u>	<u>198</u>

- (i) Agency fee income from related companies represents agency fee for property brokerage to certain related companies, in which a director of the Company has beneficial interests, on terms mutually agreed by both parties.
- (ii) The Group entered into certain lease agreements with certain related companies, in which a director of the Company has beneficial interests on terms mutually agreed by both parties.
- (iii) The amount represents emolument paid or payable to Executive Directors for the Interim Period.
- (iv) The loan advanced to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.