

## 縱橫拓展 · 闖新里程

INTERIM REPORT 2008

**MIDLAND IC&I LIMITED**

**美聯工商舖有限公司\***

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(股份代號 Stock code : 8090)

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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**The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors of Midland IC&I Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to Midland IC&I Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Mr. WONG Tsz Wa, Pierre (*Chief Executive Officer*)  
 Ms. IP Kit Yee, Kitty (*Managing Director*)  
 Ms. YUEN Wing Kwan, Annie

#### Non-executive Director

Mr. TSANG Link Carl, Brian

#### Independent Non-executive Directors

Mr. YING Wing Cheung, William  
 Mr. SHA Pau, Eric  
 Mr. HO Kwan Tat, Ted

#### Audit Committee

Mr. HO Kwan Tat, Ted (*committee chairman*)  
 Mr. YING Wing Cheung, William  
 Mr. SHA Pau, Eric

#### Remuneration Committee

Ms. IP Kit Yee, Kitty (*committee chairman*)  
 Ms. YUEN Wing Kwan, Annie  
 Mr. YING Wing Cheung, William  
 Mr. SHA Pau, Eric  
 Mr. HO Kwan Tat, Ted

#### Nomination Committee

Ms. IP Kit Yee, Kitty (*committee chairman*)  
 Ms. YUEN Wing Kwan, Annie  
 Mr. YING Wing Cheung, William  
 Mr. SHA Pau, Eric  
 Mr. HO Kwan Tat, Ted

#### Company Secretary

Ms. YUEN Wing Kwan, Annie

#### Qualified Accountant

Mr. SUM Yan Ning, Raymond

#### Compliance Officer

Ms. YUEN Wing Kwan, Annie

#### Authorised Representatives

Ms. IP Kit Yee, Kitty  
 Ms. YUEN Wing Kwan, Annie

#### Registered Office

Cricket Square  
 Hutchins Drive  
 P.O. Box 2681  
 Grand Cayman KY1-1111  
 Cayman Islands

### Head Office and Principal Place of Business

Room 1801A  
 18th Floor, One Grand Tower  
 639 Nathan Road, Mongkok  
 Kowloon, Hong Kong

#### Auditors

PricewaterhouseCoopers  
 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

#### Cayman Islands Legal Advisers

Conyers Dill & Pearman, Cayman  
 Suite 2901, One Exchange Square  
 8 Connaught Place  
 Central, Hong Kong

#### Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited  
 2nd Floor, Strathvale House  
 North Church Street  
 P.O. Box 513  
 Grand Cayman KY1-1106  
 Cayman Islands

#### Hong Kong Branch Share Registrar and Transfer Office

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

#### Website Address

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

#### Stock Code

8090

## INTERIM RESULTS

The Board of Directors (the "Board" or the "Directors") of Midland IC&I Limited (the "Company") is pleased to present the interim financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30th June 2008 (the "Interim Period") together with comparative figures for the corresponding periods ended 30th June 2007 as follows:

### Condensed Consolidated Income Statements (Unaudited)

For the three months and six months ended 30th June 2008

	Note	Three months ended 30th June		Six months ended 30th June	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue	3	<b>105,750</b>	99,975	<b>219,206</b>	170,858
Other income	4	<b>92</b>	18	<b>102</b>	46
Staff costs		<b>(59,163)</b>	(49,694)	<b>(116,319)</b>	(83,014)
Rebate commissions		<b>(7,131)</b>	(7,457)	<b>(14,738)</b>	(13,484)
Advertising and promotion expenses		<b>(5,249)</b>	(3,805)	<b>(9,746)</b>	(7,002)
Operating lease charges in respect of office and shop premises		<b>(3,666)</b>	(3,454)	<b>(7,248)</b>	(6,874)
Impairment of trade receivable		<b>(6,105)</b>	(10,991)	<b>(13,608)</b>	(16,552)
Depreciation		<b>(839)</b>	(898)	<b>(1,497)</b>	(1,873)
Other operating costs		<b>(12,825)</b>	(14,069)	<b>(22,117)</b>	(19,850)
Operating profit	5	<b>10,864</b>	9,625	<b>34,035</b>	22,255
Finance income	6	<b>563</b>	1,889	<b>1,528</b>	3,182
Finance costs	6	<b>(334)</b>	(452)	<b>(710)</b>	(452)
Profit before taxation		<b>11,093</b>	11,062	<b>34,853</b>	24,985
Taxation	7	<b>(2,167)</b>	(1,695)	<b>(6,712)</b>	(3,828)
Profit for the periods		<b>8,926</b>	9,367	<b>28,141</b>	21,157
Attributable to:					
Equity holders		<b>8,986</b>	9,504	<b>28,258</b>	21,356
Minority interests		<b>(60)</b>	(137)	<b>(117)</b>	(199)
		<b>8,926</b>	9,367	<b>28,141</b>	21,157
Earnings per share	8	<b>HK cent</b>	HK cent	<b>HK cent</b>	HK cent
Basic		<b>0.07</b>	0.07	<b>0.21</b>	0.16
Diluted		<b>0.07</b>	0.07	<b>0.21</b>	0.16
Interim dividend	9	–	–	–	–

## Condensed Consolidated Balance Sheet (Unaudited)

As at 30th June 2008

	Note	30th June 2008 HK\$'000	31st December 2007 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	5,839	4,780
Deferred taxation assets		2,723	4,635
		<b>8,562</b>	9,415
<b>Current assets</b>			
Trade and other receivable	11	206,451	227,444
Financial assets at fair value through profit or loss		2,690	2,550
Taxation recoverable		–	1,143
Cash and bank balances		186,848	143,291
		<b>395,989</b>	374,428
<b>Total assets</b>		<b>404,551</b>	383,843
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	12	83,000	83,000
Reserves		121,232	93,077
		<b>204,232</b>	176,077
<b>Minority interests</b>		136	253
<b>Total equity</b>		<b>204,368</b>	176,330
<b>Non current liabilities</b>			
Convertible notes		18,794	20,815
Deferred taxation liabilities		–	13
		<b>18,794</b>	20,828
<b>Current liabilities</b>			
Trade and other payable	13	163,880	172,847
Taxation payable		17,509	13,838
		<b>181,389</b>	186,685
<b>Total liabilities</b>		<b>200,183</b>	207,513
<b>Total equity and liabilities</b>		<b>404,551</b>	383,843
<b>Net current assets</b>		<b>214,600</b>	187,743
<b>Total assets less current liabilities</b>		<b>223,162</b>	197,158

## Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30th June 2008

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Net cash from operating activities	<b>48,024</b>	145,098
Net cash used in investing activities	<b>(1,767)</b>	(100,224)
Net cash used in financing activities	<b>(2,700)</b>	(55,180)
Net increase/(decrease) in cash and cash equivalents	<b>43,557</b>	(10,306)
Cash and cash equivalents at beginning of the period	<b>143,291</b>	119,642
Cash and cash equivalents at end of the period	<b>186,848</b>	109,336

## Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June 2008

	Share capital HK\$'000	Other reserves HK\$'000	Equity holders HK\$'000	Minority interests HK\$'000	Total HK\$'000
<b>At 1st January 2008</b>	83,000	93,077	176,077	253	176,330
<b>Currency translation differences</b>	–	(103)	(103)	–	(103)
<b>Profit for the period</b>	–	28,258	28,258	(117)	28,141
<b>Total recognised income/(expense) for the period</b>	–	28,155	28,155	(117)	28,038
<b>At 30th June 2008</b>	83,000	121,232	204,232	136	204,368
At 1st January 2007	83,000	137,264	220,264	718	220,982
Currency translation differences	–	31	31	–	31
Profit for the period	–	21,356	21,356	(199)	21,157
Total recognised income/(expense) for the period	–	21,387	21,387	(199)	21,188
Reserve arising from the acquisition (note 15(a)(vi))	–	(640,000)	(640,000)	–	(640,000)
Issue of convertible notes	–	517,352	517,352	–	517,352
	–	(101,261)	(101,261)	(199)	(101,460)
At 30th June 2007	83,000	36,003	119,003	519	119,522

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. General information

The Company is a limited liability company incorporated in the Cayman Islands and listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal office in Hong Kong is Room 1801A, 18th Floor, One Grand Tower, 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

The principal activities of the Group are provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong.

### 2. Basis of preparation and principal accounting policies

The interim financial information has been prepared under the historical cost convention as modified by the revaluation of 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

The accounting policies and methods of computation adopted 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 not 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 Statements
HKAS 23 (Revised)	Borrowings 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.



## 3. Revenue and segment information

	Three months ended 30th June		Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Agency fee	101,531	95,176	209,813	161,176
Internet education and related services	4,219	4,799	9,393	9,682
	105,750	99,975	219,206	170,858

	Six months ended and as at 30th June 2008				Total HK\$'000
	Property agency				
	Commercial HK\$'000	Industrial HK\$'000	Shops HK\$'000	Others HK\$'000	
Revenue	105,374	39,145	65,294	9,393	219,206
Segment results	29,924	2,923	9,934	(364)	42,417
Unallocated costs					(8,382)
Operating profit					34,035
Finance income, net					818
Profit before taxation					34,853
Taxation					(6,712)
Profit for the period					28,141
Segment assets	122,197	44,251	51,438	13,295	231,181
Unallocated assets					173,370
Total assets					404,551
Segment liabilities	85,927	40,199	32,481	5,273	163,880
Unallocated liabilities					36,303
Total liabilities					200,183
Capital expenditure	153	1,514	119	897	2,683
Depreciation	276	433	310	478	1,497
Impairment of trade receivable	4,906	4,204	4,498	–	13,608

Six months ended 30th June 2007 and as at 31st December 2007

	Property agency				Total HK\$'000
	Commercial HK\$'000	Industrial HK\$'000	Shops HK\$'000	Others HK\$'000	
Revenue	78,266	39,192	43,718	9,682	170,858
Segment results	16,043	7,264	3,769	(1,125)	25,951
Unallocated costs					(3,696)
Operating profit					22,255
Finance income, net					2,730
Profit before taxation					24,985
Taxation					(3,828)
Profit for the period					21,157
Segment assets	133,933	45,072	50,726	8,993	238,724
Unallocated assets					145,119
Total assets					383,843
Segment liabilities	95,439	38,711	33,097	5,621	172,868
Unallocated liabilities					34,645
Total liabilities					207,513
Capital expenditure	93	41	22	68	224
Depreciation	548	437	501	387	1,873
Impairment of trade receivable	7,831	4,429	4,298	(6)	16,552

The Group is organised into three main business segments including property agency businesses for commercial and industrial properties and shops and other business mainly includes the provision of internet education and related services.

No analysis of the 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 activities and operations of the Group.

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

#### 4. Other income

	Three months ended 30th June		Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Dividend income	80	–	80	–
Sundries	12	18	22	46
	<b>92</b>	18	<b>102</b>	46

#### 5. Operating profit

Operating profit is arrived at after charging:

	Three months ended 30th June		Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Loss on disposal of property, plant and equipment	94	112	127	146
Net realised and unrealised loss on financial assets at fair value through profit or loss	551	1	551	13

## 6. Finance income and costs

	Three months ended 30th June		Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Finance income				
Bank interest income	563	1,889	1,528	3,182
Finance costs				
Finance cost of convertible notes	(334)	(450)	(679)	(450)
Interest on bank overdrafts	–	(2)	–	(2)
Interest on securities margin financing	–	–	(31)	–
	(334)	(452)	(710)	(452)
Finance income, net	229	1,437	818	2,730

## 7. Taxation

	Three months ended 30th June		Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current				
Hong Kong profits tax	1,321	2,072	4,800	4,680
Deferred	846	(377)	1,912	(852)
	2,167	1,695	6,712	3,828

Hong Kong profits tax has been provided at the rate of 16.5% (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.

## 8. Earnings per share

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

	Three months ended 30th June		Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Profit attributable to equity holders	<b>8,986</b>	9,504	<b>28,258</b>	21,356
Effect on interest expense on convertible notes, net of tax	<b>280</b>	450	<b>567</b>	450
Profit for calculation of basic and diluted earnings per share	<b>9,266</b>	9,954	<b>28,825</b>	21,806
Weighted average number of shares in issue (thousands)	<b>8,300,000</b>	8,300,000	<b>8,300,000</b>	8,300,000
Effect on conversion of convertible notes (thousands)	<b>5,400,000</b>	5,400,000	<b>5,400,000</b>	5,400,000
Weighted average number of shares for calculation of basic earnings per share (thousands)	<b>13,700,000</b>	13,700,000	<b>13,700,000</b>	13,700,000
Effect on conversion of share options (thousands)	<b>13,485</b>	60,311	<b>20,424</b>	53,625
Weighted average number of shares for calculation of diluted earnings per share (thousands)	<b>13,713,485</b>	13,760,311	<b>13,720,424</b>	13,753,625
Basic earnings per share (HK cents)	<b>0.07</b>	0.07	<b>0.21</b>	0.16
Diluted earnings per share (HK cents)	<b>0.07</b>	0.07	<b>0.21</b>	0.16

Basic earnings per share is calculated by adjusting the weighted average number of shares to take effect of the convertible notes since the convertible notes are mandatory convertible. The convertible notes are assumed to have been converted into shares from the date when the combining entities first came under the control of the controlling party, and the net profit is adjusted to eliminate the interest expense less the tax effect.

In calculating the diluted earnings per share the weighted average number of shares is further 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 issued assuming the exercise of the share options.

## 9. Interim dividend

The Board does not recommend the payment of an interim dividend for the Interim Period (2007: Nil).

## 10. Capital expenditure

	Property, plant and equipment HK\$'000
Opening net book amount as at 1st January 2008	4,780
Additions	2,683
Disposals	(127)
Depreciation	(1,497)
<b>Closing net book amount as at 30th June 2008</b>	<b>5,839</b>
Opening net book amount as at 1st January 2007	5,909
Additions	224
Disposals	(146)
Depreciation	(1,873)
Exchange differences	(6)
Closing net book amount as at 30th June 2007	4,108
Additions	2,547
Disposals	(198)
Depreciation	(1,672)
Exchange differences	(5)
Closing net book amount as at 31st December 2007	4,780

## 11. Trade and other receivable

	<b>30th June 2008 HK\$'000</b>	31st December 2007 HK\$'000
Trade receivable	<b>190,980</b>	215,019
Other receivable, prepayments and deposits	<b>15,471</b>	12,425
	<b>206,451</b>	227,444

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

	<b>30th June 2008 HK\$'000</b>	31st December 2007 HK\$'000
Not yet due	<b>149,341</b>	188,751
Within 30 days	<b>19,472</b>	10,879
31 to 60 days	<b>10,967</b>	4,887
61 to 90 days	<b>3,544</b>	1,283
Over 90 days	<b>7,656</b>	9,219
	<b>190,980</b>	215,019

## 12. Share capital

### (a) Share capital

	<b>Number of shares (HK\$0.01 each)</b>	<b>Nominal value HK\$'000</b>
Authorised:		
At 30th June 2008 and 31st December 2007	50,000,000,000	500,000
Issued and fully paid:		
At 30th June 2008 and 31st December 2007	8,300,000,000	83,000



**(b) Share options**

On 6th June 2005, the Company adopted a share option scheme (the "Scheme") pursuant to an ordinary resolution. Under the Scheme, the Company may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of the Company and its subsidiaries, or any other eligible persons, who, as determined by the directors of the Company, have contributed or will contribute to the growth and development of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company 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 the Company, and will not be less than the higher of: (i) the nominal value of the shares of the Company; (ii) the average of the closing price of the shares of the Company 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 Scheme will remain in force for a period of ten years commencing from 6th June 2005.

Particulars and movements of share options which were granted under the Scheme are set out in pages 22 to 24 of this report.

**13. Trade and other payable**

	<b>30th June 2008 HK\$'000</b>	31st December 2007 HK\$'000
Trade payable	<b>135,608</b>	149,184
Other payable and accruals	<b>28,272</b>	23,663
	<b>163,880</b>	172,847

The trade payable represents principally the commission payable to property consultants, cooperative estate agents and fellow subsidiaries. The trade payable is due for payment only upon the receipt of corresponding agency fees from customers. The trade payable includes commission payable of HK\$18,735,000 (31st December 2007: HK\$15,368,000) which is due for payment within 30 days, and all the remaining trade payables is not yet due.

## 14. Capital Commitments

	<b>30th June 2008 HK\$'000</b>	31st December 2007 HK\$'000
Property, plant and equipment Contracted but not provided for	<b>27,858</b>	29,688

## 15. Related party transactions

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

### (a) Transactions with related parties

		<b>Six months ended 30th June 2008 HK\$'000</b>	2007 HK\$'000
	Note		
Agency fee income from fellow subsidiaries	(i)	<b>18,503</b>	7,524
Agency fee income from related companies	(ii)	<b>521</b>	742
Rebate commission expense to fellow subsidiaries	(iii)	<b>14,171</b>	11,766
Operating lease rental expense in respect of office and shop premises to related companies	(iv)	<b>1,560</b>	1,284
Management fee expense to ultimate holding company	(v)	—	3,651

- (i) Agency fee income from fellow subsidiaries represents agency fee income for property brokerage transactions referred to fellow subsidiaries on terms mutually agreed by both parties.
- (ii) Agency fee income from related companies represents agency fee income for property brokerage transactions referred to certain companies, in which a director of the ultimate holding company has beneficial interests, on terms mutually agreed by both parties.
- (iii) Commission expense to fellow subsidiaries represents commission for property brokerage transactions referred by fellow subsidiaries on terms mutually agreed by both parties.
- (iv) The Group entered into certain lease agreements with certain related companies, in which a director of the ultimate holding company has beneficial interests, on terms mutually agreed by both parties.

- (v) Management fee expense to a fellow subsidiary for the provision of general administration services is determined by predetermined rate according to the net agency fee income of the Group with a mark up of 5% of the actual administration cost.
- (vi) In June 2007, the Company acquired the entire interest of Ketanfall Group Limited from an indirect wholly-owned subsidiary of Midland Holdings Limited ("Midland") for a consideration of HK\$640 million.
- (b) The balances arising from receipt and provision of services included in trade receivable and trade payable are as follows:

	<b>30th June 2008 HK\$'000</b>	31st December 2007 HK\$'000
Amounts due from fellow subsidiaries	<b>22,239</b>	10,580
Amounts due to fellow subsidiaries	<b>19,584</b>	20,086

- (c) Key management compensation

	<b>Six months ended 30th June 2008 HK\$'000</b>	2007 HK\$'000
Salaries and allowances	<b>4,710</b>	2,334
Retirement benefit costs	<b>6</b>	6

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group's business performance reached a new high in the first half of this year. For the six months ended 30th June 2008, profit attributable to equity holders amounted to HK\$28,258,000, up 32% over the same period of last year. The commercial and industrial properties and shops agency operations turned in strong results, led by contributions from the commercial and shops divisions.

### Strong commercial and shops performance

With the booming property market in 2007, the commercial division recorded a further business growth during the six months under review. Revenues from the commercial operation increased by 35% for the reporting period, compared to the first half of last year. In particular, the Group realised respectable income from office transactions in major buildings such as Lippo Centre in Admiralty, Concordia Plaza and New Mandarin Plaza in Tsim Sha Tsui. The office leasing activity was strong and recorded in large leasing deals, reflecting the commercial division's broadened customer and income sources.

The shops division saw an exceptional performance with a growth of 49% in turnover during the first half of this year. The dramatic stock market correction in the first six months resulted in a decline in residential property transactions but the local consumption market remained solid. Government statistics showed an 15.94% increase year on year in total retail sales during the period, which were also higher than the sales amount in the second half of last year. The Group capitalised on the strong retail market to achieve outstanding results.

### Gaining strength in major transactions

The Group strengthened its presence in large-sized property sector and successfully struck more major transactions in the first half of this year. During the period, 18 deals with properties worth over HK\$100 million each were brokered, which were up 260% over the same period of last year and reaffirmed the Group's leading position in the market.

Foreign investors have demonstrated keen interest in Hong Kong's commercial properties. Since last year, the Group has stepped up efforts to reinforce its professionalism and quality of services through a series of initiatives such as hiring surveyors, establishing the research department and restructuring the marketing division. An upgraded professional team with better cooperation and communication set the stage for the Group's extraordinary half-year business results.

### Results beat the market

Hong Kong's economic momentum appears to be losing steam this year compared to last year's strong rally amid worries over the global economic slowdown and uncertainties of interest rate movements. According to the Land Registry, the amount of non-residential transactions in the first half of this year grew by 30.87% year on year. During the period, the Group posted a 30% growth in commission income. The encouraging results were testimony to the successful implementation of various initiatives to raise the Group's strengths and competitiveness.

### Market recognition

The Group is the first company to be awarded the "Excellent Brand of Commercial Property Agent" in the Hong Kong Leaders' Choice. The awards were presented by Metro Finance FM104 and voted by corporate leaders and business heavyweights.

With the high quality and professional services that the Group has been achieving, the Group received the "Q-Mark" award in 2008 presented by The Hong Kong Q-Mark Council, Federation of Hong Kong Industries.

## **Prospect**

With an open economy, Hong Kong will inevitably take on the spill-over effect from the global economic climate. The Group will monitor closely the international changes and their possible impact on the local property markets. Apart from the repercussions on the financial and property sectors, the vast majority of businesses in Hong Kong have stayed relatively unscathed so far.

## **Sound economy**

The stock market fluctuations in the first six months effectively dampened the investment demand in the property sector. Given the solid economy, there were no signs of any softening in local consumption in the face of inflationary pressure. Both retail sales and restaurant receipts recorded increases in the first half of this year over the same period a year ago. With a rising trend of negative interest rates, it seemed still positive in the consumption momentum among Hong Kong people.

In addition, the US dollar's continuous weakness has made Hong Kong increasingly attractive to tourists across the world. Statistics showed that a growing number of international tourists came to Hong Kong and stimulated consumption, retail sales and tourism-related businesses, thus providing a booster to the retail property market. The Group believes that there remains a strong underlying demand, particularly from international companies, for office spaces in Hong Kong, a well-established financial centre in the region. But the global economic uncertainties are likely to slow the pace of expansion by selected businesses, which could affect the growth of office demand locally.

## **Upgrading the business platform**

Looking ahead, the Group will explore opportunities actively for business expansion horizontally and vertically. We will build on the existing customer platform in partnership with parent company Midland to generate more transactions through efficient referrals and cooperation. In the second half of this year, the Group will ride on this particular edge to expand further our share in the market.

On the other hand, the Group will provide property auction business to our customers for generating income. The establishment of an auction operation will diversify further the Group's businesses, thus reinforcing our leading position in the marketplace.

## **Strengthening risk management**

The Group always adopts a prudent financial strategy to manage costs properly and it is our commitment to improve further the cost structure as well as business efficiency. Against the tougher and somewhat uncertain market conditions, the Group will step up efforts in risk management and monitor closely the flow of receivable commission income.

### Financial Resources and Liquidity

As at 30th June 2008, the Group maintained healthy financial position with current assets amounted to approximately HK\$396 million, of which trade and other receivable amounted to approximately HK\$206 million and cash and bank balances amounted to HK\$187 million. The equity holders' funds of the Company amounted to approximately HK\$204 million. The Company and its subsidiaries did not have outstanding bank loan during the Interim Period. The Group's current liabilities amounted to approximately HK\$181 million, mainly comprising trade and other payable amounted to approximately HK\$164 million.

The gearing ratio, which represents the percentage of non-current liabilities over total equity, was 9% as at 30th June 2008. The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities to reflect the adequacy of the financial resources, was 2.2.

### Capital Structure and Foreign Exchange Exposure

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

The Group's income and monetary assets and liabilities are mainly denominated in Hong Kong dollar. The Directors considered that the foreign exchange exposure of the Group is minimal.

### Significant Investment

As at 30th June 2008, the Group did not hold any plan of significant investment.

### Employee Information

As at 30th June 2008, the Group employed 576 full-time 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.

## **OTHER INFORMATION**

### **Change in Directorship**

With effect from 20th March 2008, Ms. Yuen Wing Kwan, Annie was appointed as the Company's executive Director. Ms. Wong Ching Yi, Angela and Mr. Koo Fook Sun, Louis resigned from the Board on 20th March 2008 and 24th June 2008 respectively.

### **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the Interim Period (2007: Nil).

### **Proposed Listing on the Main Board of the Stock Exchange**

On 3rd April 2008, the Company filed an application with the Stock Exchange for the proposed listing of the shares of the Company on the Main Board of the Stock Exchange (the "Main Board Listing") by way of introduction. The Directors believed that the Main Board Listing will enhance the profile of the Group and improve trading liquidity of the shares of the Company. The Directors also considered that the Main Board Listing would be beneficial to the future growth, financing flexibility and business development of the Group.

On 2nd May 2008, the Stock Exchange announced the streamlined transfer arrangements from GEM to Main Board effected on 1st July 2008. The Company decided to proceed with the Main Board Listing under the streamlined transfer of listing arrangements and an announcement to advise update development of Main Board Listing was made on 21st May 2008. The Directors considered that that was in the interests of the Company as it should allow the Company to achieve its Main Board listing objective, at a considerable lower cost, both financially and in terms of manpower resources. On 4th July 2008, the Company submitted a formal application for the Main Board Listing under the new transfer of listing arrangements pursuant to the revised Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

On 8th August 2008, the Listing Division of the Stock Exchange granted an approval in principle of the Main Board Listing to the Company. As mentioned in the Company's announcement dated 8th August 2008, the dealings in the shares of the Company on the Main Board will commence at 9:30 a.m. on 18th August 2008.

## Share Option Scheme

At the Company's extraordinary general meeting held on 6th June 2005, a share option scheme (the "Share Option Scheme") of the Company was adopted and approved by its shareholders.

### 1. Major Terms of the Share Option Scheme

The major terms of the Share Option Scheme are summarized as follows:

(a) *Purposes of the Share Option Scheme*

The principal purposes of the Share Option Scheme are to enable the Group and its Invested Entities to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group or Invested Entities, to recognise the contributions of the Eligible Persons to the growth of the Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Group or Invested Entities.

(b) *Participants of the Share Option Scheme*

The Board may invite any Eligible Person as the 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 Group or Invested Entity.

(c) *Total number of shares available for issue*

Total number of shares available for issue is 747,000,000, representing approximately 9% of the issued share capital of the Company as at the date of this report.

(d) *Maximum entitlement of each Eligible Person*

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person, 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 the Company and, for so long as the Company remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and / other requirements prescribed under the GEM Listing Rules and the Main Board Listing Rules from time to time.



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

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person who is an independent non-executive director or substantial shareholder of the Company or, for so long as the Company remains a subsidiary of Midland, of Midland, 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 the Company and shall be separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and / other requirements prescribed under the GEM Listing Rules and the Listing Rules from time to time.

(f) *Time of exercise of Option*

The Share Option Scheme will remain in force for a period of ten years commencing from 6th June 2005, the Adoption Date, after which no further Options shall be granted. The Options which are granted during the life of the 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 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 Share Option Scheme shall be a price determined by the 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 (5) business days immediately preceding the Offer Date; and
- (iii) the nominal value of a share.

(h) *Remaining life of the Share Option Scheme*

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

## 2. Movements of Share Options during the Interim Period

Details of the outstanding share options granted to Mr. Tsang Link Carl, Brian, a non-executive Director of the Company, on 16th January 2006 under the Share Option Scheme are as follows:-

Name	Date of grant	Exercise price HK\$	Number of share options				Exercisable period
			Balance outstanding as at 1st January 2008	Options granted during the six months ended 30th June 2008	Exercised/ cancelled/ lapsed during the six months ended 30th June 2008	Balance outstanding as at 30th June 2008	
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
			83,000,000			83,000,000	

No share options were granted by the Company during the six months ended 30th June 2008.

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

As at 30th June 2008, the interests and short positions of each of the Directors, 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 (the "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 required standards of dealing by the Directors as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

Name of director	Number of shares of the Company				Equity derivative (Share options)	Total	Percentage of interest in shares
	Personal interests	Family interests	Corporate interests				
Mr. Wong Tsz Wa, Pierre	2,000,000	-	-	-	-	2,000,000	0.02%
Mr. Tsang Link Carl, Brian	-	-	-	83,000,000 (Note)	83,000,000	83,000,000	1.00%

Note: As disclosed in the section headed Share Option Scheme, these share options were granted under the Share Option Scheme to Mr. Tsang Link Carl, Brian on 16th January 2006 for subscription of 83,000,000 shares of the Company at the exercise price of HK\$0.06 each.

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 chief executive of the Company had or deemed to have any interests or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO).

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

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 were as follows:

Name of shareholder	Number of issued shares	Number of underlying shares	Capacity in which shares are held	Percentage of interest in shares
Midland	4,300,000,000 (Note 1)	5,400,000,000	Interest in controlled corporation	116.87%
Tretsfeld Investments Limited	–	5,400,000,000 (Note 1)	Beneficial owner	65.06%
Mr. Pong Wai San, Wilson (Note 2)	910,610,000	–	Beneficial owner and interest in controlled corporation	10.97%
Ms. Tung Ching Yee, Helena (Note 3)	910,610,000	–	Interest of spouse	10.97%
Summerview Enterprises Limited (Note 4)	660,000,000	–	Beneficial owner	7.95%

Notes:

- These underlying shares refer to the shares to be issued upon full conversion of the convertible notes in the principal amount of HK\$540 million issued by the Company to Tretsfeld Investments Limited. Tretsfeld Investments Limited is a wholly-owned subsidiary of Midland. The percentage holding of Midland and Tretsfeld Investments Limited represents their interest in the existing issued share capital of the Company assuming full conversion of the convertible notes.
- 660,000,000 shares were registered in the name of and beneficially owned by Summerview Enterprises Limited and 250,610,000 shares were registered in the name of Mr. Pong Wai San, Wilson. The entire issued share capital of Summerview Enterprises Limited was registered in the name of and beneficially owned by Mr. Pong Wai San, Wilson.

3. Ms. Tung Ching Yee, Helena is the spouse of Mr. Pong Wai San, Wilson, these shares held by Ms. Tung Ching Yee, Helena represent the same block of shares held by Mr. Pong Wai San, Wilson.
4. The interest of Summerview Enterprises Limited in the Company duplicates those of Mr. Pong Wai San, Wilson in the Company.

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

### Code on Corporate Governance

The Company had complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30th June 2008.

### Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of Directors, all Directors have complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's annual, interim and quarterly results that the Director cannot deal in the shares of the Company until after such results have been published.

### Purchase, Sale and 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 six months ended 30th June 2008.

### Review by Audit Committee

The audit committee has reviewed and discussed with the management of the Company the unaudited interim financial information of the Group for the six months ended 30th June 2008. PricewaterhouseCoopers, the Company's auditors, have reviewed the unaudited interim financial information of the Group for the six months ended 30th June 2008 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 HKICPA.

### Appreciation

Finally, I would like to take this opportunity to express our sincere gratitude to our shareholders and customers for their continuous support, to the management and staff for their hard work, support and dedication throughout the Interim Period.

By Order of the Board  
**Midland IC&I Limited**  
**WONG Tsz Wa, Pierre**

*Executive Director and Chief Executive Officer*

Hong Kong, 13th August 2008



**美聯工商舖**

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