



(459) 香港聯交所上市公司

**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 : 459)

**全力衝刺 併發光芒**  
Keep ourselves burning bright

INTERIM REPORT 中期業績報告 2013

\*僅供識別 \*For identification purpose only

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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Ms. TANG Mei Lai, Metty  
*(Chairman and Managing Director)*  
Ms. WONG Ching Yi, Angela  
Mr. WONG Hon Shing, Daniel  
*(Chief Executive Officer)*

#### Non-executive Director

Mr. TSANG Link Carl, Brian  
*(with Mr. CHU Kuo Fai, Gordon  
as his alternate)*

#### 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

Mr. HO Kwan Tat, Ted  
*(Committee Chairman)*  
Ms. TANG Mei Lai, Metty  
Mr. WONG Hon Shing, Daniel  
Mr. YING Wing Cheung, William  
Mr. SHA Pau, Eric

### Nomination Committee

Ms. TANG Mei Lai, Metty  
*(Committee Chairman)*  
Mr. WONG Hon Shing, Daniel  
Mr. YING Wing Cheung, William  
Mr. SHA Pau, Eric  
Mr. HO Kwan Tat, Ted

### Company Secretary

Ms. MUI Ngar May, Joel

### Authorised Representatives

Ms. WONG Ching Yi, Angela  
Mr. WONG Hon Shing, Daniel

### Registered Office

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

### Head Office and Principal Place of Business in Hong Kong

Room 1801A  
18th Floor, Office Tower One  
Grand Plaza, 625 & 639 Nathan Road  
Mongkok, Kowloon, Hong Kong

### Auditor

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

### Principal Bankers

Agricultural Bank of China Hong Kong Branch  
Bank of Communications Co., Ltd.  
Hong Kong Branch  
China CITIC Bank International Limited  
DBS Bank (Hong Kong) Limited  
Fubon Bank (Hong Kong) Limited  
Nanyang Commercial Bank, Limited  
The Hongkong and Shanghai  
Banking Corporation Limited  
Standard Chartered Bank (Hong Kong) Limited

### Hong Kong Legal Adviser

Lu, Lai & Li  
Rooms 2201, 2201A & 2202, 22nd Floor  
Tower I, Admiralty Centre  
No. 18 Harcourt Road, Hong Kong

### Cayman Islands Legal Adviser

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

### Principal Share Registrar and Transfer Office

HSBC Trustee (Cayman) Limited  
P.O. Box 484  
HSBC House  
68 West Bay Road  
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

www.midlandici.com.hk

### Stock Code

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## LETTER FROM CHIEF EXECUTIVE OFFICER

### Business Review

For the six months ended 30 June 2013 (the “Interim Period”), Midland IC&I Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded a revenue of HK\$380,829,000, representing an increase of 5.0% from the same period of 2012. Profit for the six months fell 64.2% to HK\$26,695,000. In the fourth quarter of last year, the government introduced the Buyer’s Stamp Duty and the enhanced Special Stamp Duty to the residential market. Unaffected by those measures, commercial and industrial properties and shops sectors continued to grow at the beginning of this year from the previous year, and had once become a safe haven for investors. However, the fact that the government unprecedentedly launched measures aiming to rein in speculations in non-residential property market in February struck the commercial and industrial properties and shops sectors. The measures, including an increase in the rate of stamp duty for all types of property transactions and the charging of stamp duty on an agreement for sale instead of the conveyance on sale of a non-residential property. These policies have increased investment costs and struck down speculative activities. Investors have become cautious due to the increase in uncertainty in the property market after the government’s intervention, hence the transaction volume slumped. According to the Land Registry, the number of registrations in the second quarter declined approximately 70% from the first quarter, the biggest quarterly drop since the approximate 50% decline in fourth quarter of 2008. Lower transaction volume was in part attributed to the decline in the Group’s profit.

Although the commercial and industrial properties and shops sectors were turbulent and competition environment was fierce, the Group has maintained a leading position. Because of its vision, the Group stepped up efforts to penetrate into the high-valued property market in earlier years. Not only did the Group strengthen its position in the lower-to-medium end market, it also achieved a desirable result in the high-end segment. Thanks to the efforts of our management team and staff, 22 transactions valued more than HK\$100 million each were handled by the Group in the first half of this year. Among them, 4 were transacted at more than HK\$500 million each, an astonishing result showing the Group was able to secure a meaningful position in the big-ticket property investment market successfully.

## LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

### Business Review (continued)

Facing the market challenges, the Group remained focus in the agency business. A specialized Leasing Team, responsible for rental business, has been established at the shop division, aiming at seizing different markets and customers. After Hong Kong Property (Comm.) Limited, a subsidiary of the Group, has launched its services last year, Hong Kong Property (I&O) Limited has also launched its services recently. The new move made Hong Kong Property (IC&I) more comprehensive, with an aim of providing quality agency services to our customers. The Group is actively fostering inter-departmental co-operation in an effort to explore more business opportunities amid tough market. Working with the residential property division and China division, the Group has exemplified team spirit.

### Outlook

As a result of the government interventions, the second half of the year is expected to be full of challenges. The Group shall keep monitoring the property market.

#### *Market getting used to the policies, transaction activity stabilizing*

For the every first time, the government has extended its intervention policies to the non-residential market. As the measures are not likely to change in a short period of time, the transaction volume in the commercial and industrial properties and shops sectors will continue to be under pressure. However, the market has gradually digested the measures which have been in place for more than six months. Furthermore, low interest rate environment persists and liquidity is ample. As such, the property market is expected to be stable in the second half of the year.

## LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

### Outlook (continued)

#### *Strengthen staff professional training and explore new opportunities*

The Group will continue to strengthen professional training for staff and recruit outstanding talents. Despite fierce competition, the Group will still be able to seize opportunities and actively explore new business initiatives. The Group will participate in Mainland and international property projects sales in an effort to broaden the source of income. Communications among departments will be enhanced and inter-departmental co-operation will be actively encouraged. Under the influence of government policies, the trend of potential buyers shifting to rental market will present a new opportunity. The Group will allocate more resources in the specialized Leasing Team of the shop division in an effort to and actively penetrate the leasing market of commercial and industrial properties and shops sectors. The Group will also strengthen the free promotion channels in various aspects, including the online platform as well as production of multi-media promo. The promotion platform will facilitate frontline sales operations so as to increase business opportunities.

#### *Closely monitor market changes, slowdown in expansion pace to slow*

The uncertainties in the commercial and industrial properties and shops sectors will last for quite some time, and the government has not indicated to scrap or ease its tough measures. In addition, the Federal Reserve's schedule on exiting from quantitative easing will cast doubt on the global economy. Once interest rates rise, the impact on the property market cannot be overlooked. The Group will closely monitor the market changes and slow down the expansion for the time being. The Group will also tightly control costs so as to achieve best economic efficiency.

### Appreciation

I would like to express my heartfelt gratitude to the management team and staff for their hardship in the six months, and take the chance to thank our shareholders and customers for their support.

**WONG Hon Shing, Daniel**

*Chief Executive Officer*

Hong Kong, 21 August 2013

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Liquidity, Financial Resources and Funding*

As at 30 June 2013, the Group had cash and bank balances of HK\$553,069,000 (as at 31 December 2012: HK\$488,051,000), whilst bank loan amounted to HK\$10,480,000 (as at 31 December 2012: HK\$10,926,000). The Group's bank loan was secured by investment properties held by the Group of HK\$56,700,000 (as at 31 December 2012: HK\$52,670,000) and with maturity profile set out as follows:

<b>Repayable</b>	<b>As at 30 June 2013 HK\$'000</b>	<b>As at 31 December 2012 HK\$'000</b>
Within 1 year	908	893
After 1 year but within 2 years	925	910
After 2 years but within 5 years	2,882	2,838
Over 5 years	5,765	6,285
	<b>10,480</b>	<b>10,926</b>

*Note:* The above amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

As at 30 June 2013, the Group had unutilised banking facilities amounting to HK\$15,500,000 (as at 31 December 2012: HK\$15,500,000) from various banks. The Group's cash and bank balances are deposited in Hong Kong Dollars and the Group's bank loan is in Hong Kong Dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review (continued)

#### *Liquidity, Financial Resources and Funding (continued)*

As at 30 June 2013, the gearing ratio of the Group was 1.6% (as at 31 December 2012: 1.7%). The gearing ratio is calculated on the basis of the Group's total bank loan over total equity of the Group. The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 2.7 (as at 31 December 2012: 2.5).

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

#### *Capital Structure and Foreign Exchange Exposure*

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

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

#### *Contingent Liabilities*

As at 30 June 2013, the Company executed corporate guarantees amounting to HK\$29,780,000 (as at 31 December 2012: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to its wholly-owned subsidiaries. As at 30 June 2013, HK\$10,480,000 of the banking facilities were utilised by a subsidiary (as at 31 December 2012: HK\$10,926,000).

#### *Employee Information*

As at 30 June 2013, the Group employed 896 full-time employees (as at 31 December 2012: 853).

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, incentives tied in with profit 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. In respect of staff development, both in-house and external training and development programmes are conducted on a regular basis.

## OTHER INFORMATION

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

As at 30 June 2013, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) *Personal interests in long positions in the shares and underlying shares of the Company*

Name of Director	Number of shares	Number of underlying shares	Total	Approximate percentage of issued share capital of the Company
Mr. WONG Hon Shing, Daniel	20,000,000	–	20,000,000	0.15%
Mr. TSANG Link Carl, Brian	–	5,000,000 <i>(Note 1)</i>	5,000,000	0.04%
Mr. YING Wing Cheung, William	–	5,000,000 <i>(Note 2)</i>	5,000,000	0.04%
Mr. SHA Pau, Eric	–	5,000,000 <i>(Note 3)</i>	5,000,000	0.04%
Mr. HO Kwan Tat, Ted	–	5,000,000 <i>(Note 4)</i>	5,000,000	0.04%

## OTHER INFORMATION (continued)

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

## (i) Personal interests in long positions in the shares and underlying shares of the Company (continued)

## Notes:

1. These underlying shares are held by Mr. TSANG Link Carl, Brian by virtue of the interests in the share options of the Company granted to him. Details of these share options are set out in the section headed "Share Option Scheme".
2. These underlying shares are held by Mr. YING Wing Cheung, William by virtue of the interests in the share options of the Company granted to him. Details of these share options are set out in the section headed "Share Option Scheme".
3. These underlying shares are held by Mr. SHA Pau, Eric by virtue of the interests in the share options of the Company granted to him. Details of these share options are set out in the section headed "Share Option Scheme".
4. These underlying shares are held by Mr. HO Kwan Tat, Ted by virtue of the interests in the share options of the Company granted to him. Details of these share options are set out in the section headed "Share Option Scheme".

## (ii) Long positions in the shares and underlying shares of associated corporation of the Company

Name of associated corporation	Name of Director	Number of shares	Number of underlying shares	Nature of interest	Approximate percentage of issued share capital of Midland Holdings
Midland Holdings Limited ("Midland Holdings")	Ms. TANG Mei Lai, Metty	71,060,144 (Note 5)	7,209,160 (Note 6)	Family interest	10.90%
		-	7,209,160 (Note 7)	Personal interest	1.00%
Midland Holdings	Ms. WONG Ching Yi, Angela	-	7,209,160 (Note 8)	Personal interest	1.00%

## OTHER INFORMATION (continued)

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures (continued)

#### (ii) Long positions in the shares and underlying shares of associated corporation of the Company (continued)

##### Notes:

5. *These shares represent the shares held by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), directly or indirectly, the spouse of Ms. TANG Mei Lai, Metty ("Ms. TANG"), as beneficial owner in the shares of Midland Holdings, the associated corporation of the Company.*
6. *These underlying shares represent the interests in the share options of Midland Holdings held by Mr. WONG, the spouse of Ms. TANG, as beneficial owner, by virtue of the interests in the share options of Midland Holdings granted to him.*
7. *These underlying shares are held by Ms. TANG by virtue of the interests in the share options of Midland Holdings granted to her.*
8. *These underlying shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options of Midland Holdings granted to her.*

Save as disclosed above, as at 30 June 2013, neither the Directors nor the chief executive of the Company had any interests or short positions 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) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

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

## OTHER INFORMATION (continued)

## Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2013, the interests and short positions of the persons, other than the Directors or chief executive of the Company as disclosed above, 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:

*Long positions in the shares and underlying shares of the Company*

<b>Name of substantial shareholder</b>	<b>Number of ordinary shares</b>	<b>Holding capacity</b>	<b>Approximate percentage of issued share capital of the Company</b>
Midland Holdings	9,700,000,000 <i>(Note)</i>	Interest in controlled corporation	70.80%
Valuewit Assets Limited ("Valuewit")	9,700,000,000 <i>(Note)</i>	Beneficial owner	70.80%

*Note: Valuewit is an indirect wholly-owned subsidiary of Midland Holdings. Midland Holdings is deemed to be interested in these 9,700,000,000 shares held by Valuewit under the SFO.*

Save as disclosed above, as at 30 June 2013, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

## OTHER INFORMATION (continued)

## Share Option Scheme

At the Company's extraordinary general meeting held on 19 September 2008, a share option scheme of the Company (the "Share Option Scheme") was adopted by the Company and approved by its shareholders.

Movements in the outstanding share options granted under the Share Option Scheme during the Interim Period were as follows:

Name of Director	Date of grant	Exercise price per share (HK\$)	Balance as at 1 January 2013	Cancelled/		Exercised during the Interim Period	Balance as at 30 June 2013	Exercisable period
				Granted during the Interim Period	lapsed during the Interim Period			
Mr. TSANG Link Carl, Brian	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. YING Wing Cheung, William	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. SHA Pau, Eric	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. HO Kwan Tat, Ted	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Total			20,000,000	-	-	-	20,000,000	

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the Interim Period.

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

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

## OTHER INFORMATION (continued)

### Interim Dividend

The board of Directors of the Company (the “Board”) does not declare an interim dividend for the Interim Period (2012: Nil).

### Audit Committee

The audit committee of the Company (the “Audit Committee”) comprises three Independent Non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group and the interim report for the Interim Period. PricewaterhouseCoopers as the Company’s auditor has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### Corporate Governance

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report as stated in Appendix 14 to 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 Directors, they 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.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000
Revenues	3	380,829	362,617
Other income	4	4,219	6,979
Staff costs		(192,811)	(195,278)
Rebate incentives		(77,063)	(39,468)
Advertising and promotion expenses		(10,368)	(5,908)
Operating lease charges in respect of office and shop premises		(16,280)	(7,604)
Impairment of receivables		(34,388)	(22,047)
Depreciation		(3,077)	(1,981)
Other operating costs		(21,220)	(12,516)
Operating profit	5	29,841	84,794
Finance income		1,211	2,412
Finance costs		(100)	(187)
Profit before taxation		30,952	87,019
Taxation	6	(4,257)	(12,507)
Profit for the period		26,695	74,512
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		18	22
Total comprehensive income for the period		26,713	74,534

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) (continued)

For the six months ended 30 June 2013

		<b>Six months ended 30 June</b>	
	Note	<b>2013 HK\$'000</b>	2012 HK\$'000
<hr/>			
Profit for the period attributable to:			
Equity holders		<b>26,695</b>	74,512
Non-controlling interests		–	–
		<b>26,695</b>	74,512
<hr/>			
Total comprehensive income for the period attributable to:			
Equity holders		<b>26,713</b>	74,534
Non-controlling interests		–	–
		<b>26,713</b>	74,534
<hr/>			
		<b>HK cents</b>	HK cents
Earnings per share	8		
Basic		<b>0.19</b>	0.54
Diluted		<b>0.19</b>	0.54

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2013

	Note	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	11,725	9,175
Investment properties	9	56,700	52,670
Deferred taxation assets		4,337	5,371
		<b>72,762</b>	67,216
<b>Current assets</b>			
Trade and other receivables	10	386,969	462,867
Financial assets at fair value through profit or loss		138	155
Cash and bank balances		553,069	488,051
		<b>940,176</b>	951,073
<b>Total assets</b>		<b>1,012,938</b>	1,018,289
<b>EQUITY AND LIABILITIES</b>			
Equity holders			
Share capital	11	137,000	137,000
Share premium		549,168	549,168
Reserves		(17,933)	(44,646)
		<b>668,235</b>	641,522
Non-controlling interests		-	-
<b>Total equity</b>		<b>668,235</b>	641,522

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

As at 30 June 2013

	Note	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
<b>Non-current liabilities</b>			
Deferred taxation liabilities		556	486
<b>Current liabilities</b>			
Trade and other payables	12	311,399	346,237
Bank loan		10,480	10,926
Taxation payable		22,268	19,118
		344,147	376,281
<b>Total liabilities</b>		<b>344,703</b>	<b>376,767</b>
<b>Total equity and liabilities</b>		<b>1,012,938</b>	<b>1,018,289</b>
<b>Net current assets</b>		<b>596,029</b>	<b>574,792</b>
<b>Total assets less current liabilities</b>		<b>668,791</b>	<b>642,008</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total equity HK\$'000
At 1 January 2013	137,000	549,168	(44,646)	641,522
Comprehensive income				
Profit for the period	-	-	26,695	26,695
Other comprehensive income				
Currency translation differences	-	-	18	18
At 30 June 2013	137,000	549,168	(17,933)	668,235
At 1 January 2012, as restated	83,000	85,816	296,902	465,718
Conversion of convertible notes	54,000	463,352	(517,352)	-
Comprehensive income				
Profit for the period	-	-	74,512	74,512
Other comprehensive income				
Currency translation differences	-	-	22	22
At 30 June 2012	137,000	549,168	(145,916)	540,252

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Net cash from operating activities	69,880	34,202
Net cash (used in)/from investing activities	(4,416)	1,052
Net cash used in financing activities	(446)	(3,135)
Net increase in cash and cash equivalents	65,018	32,119
Cash and cash equivalents at 1 January	488,051	406,813
Cash and cash equivalents at 30 June	553,069	438,932

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

### 1 General information

Midland IC&I Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and listed on the main board 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 head office and principal place of business in Hong Kong is Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (together the “Group”) are provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong.

The ultimate holding company is Midland Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong.

This unaudited condensed consolidated interim financial information has been approved by the board of directors (the “Board”) on 21 August 2013.

### 2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2013 (the “Interim Period”) 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 values, and also prepared 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 Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2012 except that the Group has adopted the following revised standards and amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31 December 2013.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

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

#### *Effect of adopting amendments to standards*

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2013. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group, except for certain changes in presentation and disclosures.

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 1 (Amendment)	Government Loans	1 January 2013
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKFRS(s) (Amendment)	Improvements to HKFRSs 2009- 2011	1 January 2013
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Investment in Associates and Joint Ventures	1 January 2013
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

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

*New standards, amendments to standards and interpretation that have been issued but are not effective*

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Impairment of Assets	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 3 Revenues and segment information

## (a) Revenues

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Turnover		
Agency fee	369,929	353,726
Internet education and related services	9,969	8,065
	<b>379,898</b>	361,791
Other revenues		
Rental income from a fellow subsidiary	900	807
Rental income from third party	21	19
Others	10	–
Total revenues	<b>380,829</b>	362,617

## (b) Segment information

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 3 Revenues and segment information (continued)

*(b) Segment information (continued)*

Management assesses the performance based on the nature of the Group's business principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, and other business mainly includes the provision of internet education and its related services.

	Six months ended 30 June 2013				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Total revenues	150,287	67,637	176,607	9,986	404,517
Inter-segment revenues	(14,456)	(1,274)	(8,872)	(17)	(24,619)
Revenues from external customers	135,831	66,363	167,735	9,969	379,898
Segment results	17,760	1,747	14,661	486	34,654
Impairment of receivables	9,837	10,454	13,947	150	34,388
Depreciation	924	880	804	363	2,971
Additions to non-current assets	1,325	2,189	1,911	115	5,540

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 3 Revenues and segment information (continued)

## (b) Segment information (continued)

	Six months ended 30 June 2012				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Total revenues	130,139	67,477	169,892	8,139	375,647
Inter-segment revenues	(4,540)	(5,381)	(3,861)	(74)	(13,856)
Revenues from external customers	125,599	62,096	166,031	8,065	361,791
Segment results	31,293	13,461	40,665	339	85,758
Impairment of receivables	9,770	3,376	8,816	85	22,047
Depreciation	301	650	338	403	1,692
Additions to non-current assets	567	59	405	71	1,102

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, fair value gain on investment properties, finance income, finance costs and taxation are not included in the segment results.

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 3 Revenues and segment information (continued)

## (b) Segment information (continued)

Reportable revenues from external customers are reconciled to total revenues as follows:

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Revenues from external customers for reportable segments	379,898	361,791
Rental income from a fellow subsidiary	900	807
Rental income from third party	21	19
Others	10	-
<b>Total revenues per consolidated statement of comprehensive income</b>	<b>380,829</b>	<b>362,617</b>

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

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Segment results for reportable segments	34,654	85,758
Corporate expenses	(8,843)	(7,724)
Fair value gain on investment properties	4,030	6,760
Finance income	1,211	2,412
Finance costs	(100)	(187)
<b>Profit before taxation per consolidated statement of comprehensive income</b>	<b>30,952</b>	<b>87,019</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 3 Revenues and segment information (continued)

*(b) Segment information (continued)*

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and financial assets at fair value through profit or loss, which are managed on a central basis. The following is total segment assets and liabilities by reportable segment:

	As at 30 June 2013				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	174,781	120,648	179,988	16,637	492,054
Segment liabilities	102,259	53,791	133,033	9,999	299,082

	As at 31 December 2012				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	154,856	121,522	251,687	15,639	543,704
Segment liabilities	94,187	61,640	165,346	9,521	330,694

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 3 Revenues and segment information (continued)

## (b) Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Segment assets	492,054	543,704
Corporate assets	516,409	469,059
Deferred taxation assets	4,337	5,371
Financial assets at fair value through profit or loss	138	155
<b>Total assets per consolidated balance sheet</b>	<b>1,012,938</b>	<b>1,018,289</b>

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Segment liabilities	299,082	330,694
Corporate liabilities	45,065	45,587
Deferred taxation liabilities	556	486
<b>Total liabilities per consolidated balance sheet</b>	<b>344,703</b>	<b>376,767</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 4 Other income

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Fair value gain on investment properties	4,030	6,760
Others	189	219
	<b>4,219</b>	<b>6,979</b>

## 5 Operating profit

Operating profit is arrived at after charging:

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Loss on disposal of property, plant and equipment	–	4
Unrealised loss on financial assets at fair value through profit or loss	17	9

## 6 Taxation

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Current		
Hong Kong profits tax	3,152	13,511
Deferred	1,105	(1,004)
	<b>4,257</b>	<b>12,507</b>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profit for the Interim Period.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 7 Interim dividend

The Board does not declare an interim dividend for the Interim Period (six months ended 30 June 2012: Nil).

## 8 Earnings per share

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

	<b>Six months ended 30 June</b>	
	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Profit attributable to equity holders	<b>26,695</b>	74,512
Effect on interest expense on convertible notes, net of tax	–	61
Profit for calculation of basic and diluted earnings per share	<b>26,695</b>	74,573
Number of shares for calculation of basic earnings per share (thousands)	<b>13,700,000</b>	13,700,000
Effect on conversion of share options (thousands)	<b>1,403</b>	–
Number of shares for calculation of diluted earnings per share (thousands)	<b>13,701,403</b>	13,700,000
Basic earnings per share (HK cent)	<b>0.19</b>	0.54
Diluted earnings per share (HK cent)	<b>0.19</b>	0.54

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

### 8 Earnings per share (continued)

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

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted earnings per share for the period ended 30 June 2012 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 9 Property, plant and equipment and Investment properties

	Property, plant and equipment HK\$'000	Investment properties HK\$'000
Opening net book amounts as at 1 January 2013	9,175	52,670
Additions	5,627	–
Change in fair value	–	4,030
Depreciation	(3,077)	–
<b>Closing net book amounts as at 30 June 2013</b>	<b>11,725</b>	<b>56,700</b>
Opening net book amounts as at 1 January 2012	5,567	40,640
Additions	1,382	–
Change in fair value	–	6,760
Disposals	(4)	–
Depreciation	(1,981)	–
Closing net book amounts as at 30 June 2012	4,964	47,400
Additions	6,536	–
Change in fair value	–	5,270
Disposals	(278)	–
Depreciation	(2,047)	–
Closing net book amounts as at 31 December 2012	9,175	52,670

Investment properties with net book value of HK\$56,700,000 (as at 31 December 2012: HK\$52,670,000) are pledged as security for the Group's bank loan and certain general banking facilities granted to the Group.

The valuations of the investment properties at 30 June 2013, 31 December 2012 and 30 June 2012 were carried out by Midland Surveyors Limited, a qualified surveyor.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 10 Trade and other receivables

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Trade receivables	378,837	464,510
Less: impairment	(14,050)	(17,518)
Trade receivables, net	364,787	446,992
Other receivables, prepayments and deposits	22,182	15,875
	<b>386,969</b>	462,867

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

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Not yet due	321,607	409,554
Less than 30 days	21,222	26,205
31 to 60 days	8,748	4,835
61 to 90 days	3,977	1,489
Over 90 days	9,233	4,909
	<b>364,787</b>	446,992

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 11 Share capital

	Number of shares (HK\$0.01 each)	Nominal value HK\$'000
Authorised:		
As at 30 June 2012, 31 December 2012 and 30 June 2013	50,000,000,000	500,000
Issued and fully paid:		
As at 30 June 2012, 31 December 2012 and 30 June 2013	13,700,000,000	137,000

## 12 Trade and other payables

	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
Commissions payable	271,847	303,647
Other payables and accruals	39,552	42,590
	<b>311,399</b>	<b>346,237</b>

Commissions payable to property consultants and co-operative estate agents are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK\$23,726,000 (as at 31 December 2012: HK\$32,152,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

### 13 Capital commitments

The Group and the Company did not have any significant capital commitments as at 30 June 2013 and 31 December 2012.

### 14 Contingent liabilities

As at 30 June 2013, the Company executed corporate guarantee amounting to HK\$29,780,000 (as at 31 December 2012: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 30 June 2013, HK\$10,480,000 of the banking facilities were utilised by a subsidiary (as at 31 December 2012: HK\$10,926,000).

### 15 Significant related party transactions

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

#### (a) Transactions with related parties

	Note	Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000
Agency fee income from fellow subsidiaries	(i)	6,353	11,902
Rental income in respect of office premise from a fellow subsidiary	(ii)	900	807
Rebate incentives to fellow subsidiaries	(iii)	52,073	28,854
Operating lease rental expense to related companies	(iv)	1,276	792

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

## 15 Significant related party transactions (continued)

## (a) Transactions with related parties (continued)

Notes:

- (i) Agency fee income from fellow subsidiaries represents agency fee for property agency transactions referred to fellow subsidiaries on terms mutually agreed by both parties.
- (ii) The Group entered into a lease agreement with a fellow subsidiary on terms mutually agreed by both parties.
- (iii) Rebate incentives to fellow subsidiaries represents commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.
- (iv) The Group entered into certain operating 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.

## (b) Key management compensation

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Fees, salaries and incentives and other benefits	<b>5,432</b>	7,288

The amount represents emolument paid or payable to Executive Directors for the period.

## (c) The balances with related parties included in trade receivables and trade payables are as follows:

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Amounts due from fellow subsidiaries	<b>12,262</b>	13,388
Amounts due to fellow subsidiaries	<b>50,921</b>	31,345

