

美聯工商舖
MIDLAND IC&I

MIDLAND IC&I LIMITED

美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8090)

First Quarterly Report **2008**

* For identification purposes only

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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. KOO Fook Sun, Louis

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

Audit Committee

Mr. KOO Fook Sun, Louis

(committee chairman)

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

Remuneration Committee

Ms. IP Kit Yee, Kitty *(committee chairman)*

Mr. YING Wing Cheung, William

Mr. KOO Fook Sun, Louis

Mr. SHA Pau, Eric

Ms. YUEN Wing Kwan, Annie

Nomination Committee

Ms. IP Kit Yee, Kitty *(committee chairman)*

Mr. YING Wing Cheung, William

Mr. KOO Fook Sun, Louis

Mr. SHA Pau, Eric

Ms. YUEN Wing Kwan, Annie

Company Secretary

Ms. YUEN Wing Kwan, Annie, *ACS, ACIS*

Qualified Accountant

Mr. SUM Yan Ning, Raymond, *CPA, FCCA*

Compliance Officer

Ms. IP Kit Yee, Kitty

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

Lu, 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

Stock Code

8090

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31ST MARCH 2008

The Board of Directors (the "Board") of Midland IC&I Limited (the "Company") is pleased to present the financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31st March 2008 together with comparative figures for the corresponding period ended 31st March 2007 as follows:

Consolidated Income Statement (Unaudited)

For the three months ended 31st March 2008

	Note	For the three months ended 31st March	
		2008 HK\$'000	2007 HK\$'000
Revenue	3	113,456	70,883
Other income		10	16
Staff costs		(57,156)	(33,320)
Rebate commissions		(7,607)	(6,027)
Advertising and promotion expenses		(4,497)	(3,197)
Operating lease charges in respect of office and shop premises		(3,582)	(3,420)
Impairment of receivable		(7,503)	(5,561)
Depreciation and amortisation costs		(658)	(975)
Other operating costs		(9,292)	(5,769)
Operating profit		23,171	12,630
Finance income		965	1,293
Finance costs		(376)	–
Profit before taxation		23,760	13,923
Taxation	4	(4,545)	(2,133)
Profit for the period		19,215	11,790
Attributable to:			
Equity holders		19,272	11,852
Minority interests		(57)	(62)
		19,215	11,790
Earnings per share	5	HK cent	HK cent
Basic		0.14	0.09
Diluted		0.14	0.09
Dividend	6	–	–

NOTES TO THE 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 brokerage services in respect of industrial and commercial (office and shop) properties in Hong Kong and internet education services in Hong Kong and Mainland China.

2 Basis of preparation and principal accounting policies

The 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 Financial Reporting Standards ("HKFRS") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations 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 accounting policies and methods of computations adopted for the preparation of the 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 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

	(Unaudited) For the three months ended 31st March	
	2008	2007
	HK\$'000	HK\$'000
Turnover		
Agency fee	108,282	66,000
Internet education and related services	5,174	4,883
	113,456	70,883

4 Taxation

	(Unaudited) For the three months ended 31st March	
	2008	2007
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	4,667	2,608
Deferred	(122)	(475)
	4,545	2,133

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit arising in or derived from Hong Kong for the three months ended 31st March 2008 (2007: 17.5%).

5 Earnings per share

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

	(Unaudited)	
	For the three months ended 31st March	
	2008	2007
	HK\$'000	HK\$'000
Profit attributable to equity holders	19,272	11,852
Effect on interest expense on convertible notes, net of tax	284	–
Profit for calculation of basic and diluted earnings per share	19,556	11,852
Weighted average number of shares in issue (thousands)	8,300,000	8,300,000
Effect on conversion of convertible notes (thousands)	5,400,000	5,400,000
Weighted average number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000
Effect on conversion of share options (thousands)	26,278	36,943
Weighted average number of shares for calculation of diluted earnings per share (thousands)	13,726,278	13,736,943
Basic earnings per share (HK cent)	0.14	0.09
Diluted earnings per share (HK cent)	0.14	0.09

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.

6 Dividend

The Board does not recommend the payment of a dividend for the three months ended 31st March 2008 (2007: Nil).

7 Movement of reserves

	Share capital HK\$'000	Other reserves HK\$'000	Equity holders HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January 2008	83,000	93,077	176,077	253	176,330
Currency translation differences	–	(34)	(34)	–	(34)
Profit for the period	–	19,272	19,272	(57)	19,215
Total recognised income/ (expense) for the period	–	19,238	19,238	(57)	19,181
At 31st March 2008	83,000	112,315	195,315	196	195,511
At 1st January 2007	83,000	137,264	220,264	718	220,982
Currency translation differences	–	24	24	–	24
Profit for the period	–	11,852	11,852	(62)	11,790
Total recognised income/ (expense) for the period	–	11,876	11,876	(62)	11,814
At 31st March 2007	83,000	149,140	232,140	656	232,796

BUSINESS REVIEW

The Group recorded encouraging results in the first quarter of 2008 as net profit reached HK\$19,215,000, representing an increase of 63% compared to the corresponding period last year. Contributions from the office, shop and industrial divisions registered a significant growth.

Strong Commercial Demand

The sub-prime mortgage issues in the United States had triggered corrections in the stock market at the start of the year while investment demand weakened as a result. But the negative real interest rate environment and sound economic conditions in Hong Kong provided a solid support to the commercial (office and shop) property sector. According to Land Registry records, the registration of non-residential property transactions increased 51.7% year on year in the first quarter of 2008. Demand for strata-titled office buildings remained strong and the transaction volume of prime Grade A office buildings went up during the period.

Booming High-end Market

For the three months ended 31st March 2008 the Group stood out as a leading player in the market with a turnover of HK\$113,456,000, an increase of 60% from the same period last year. During the period under review, the Group closed nine major deals valued at HK\$100 million or more each as well as two en-bloc transactions.

Among all business divisions, the operation of the office sector was the star performer, contributing as much as 46% of the total turnover of property brokerage business of the Group. In addition, contribution from the rental market recorded an obvious increase.

In an effort to enhance the professional image, the Group continued to strengthen capabilities in sales supportive activities. The integration of the surveying division, marketing department and sales operation reinforced the Group's ability to provide top-notch services to clients. The Group's strong marketing capabilities also helped secure numerous exclusive business opportunities in the high-end sector.

Improved Profit Margin

In the face of rising business costs amid an inflationary environment, the Group introduced pro-active measures to keep expenses under control. The 55% increase in operating costs was relatively mild as compared with the 60% increase in revenue in the first three months of 2008. Net profit margin of the Group was 17% during the period.

OUTLOOK

Prospect

The Group is optimistic towards the outlook of the non-residential property sector. The trend of negative real interest rate and solid economic fundamentals will invigorate investment demand for commercial (office and shop) properties in particular. With a backdrop of low interest rates and rising personal income, Hong Kong people will be ready to spend more while the Government's latest tax relief measures, such as exemption of government rates and personal tax cut will spur domestic consumption. In fact, retail sales in March registered a growth of 20% year on year.

The weakened Hong Kong currency also serves as a booster to tourist spending. Last year, total tourist expenditure amounted to HK\$140.51 billion, up 16.4% year on year, while spending by mainland tourists surged at a stronger pace of 23.8%. With a further appreciation of RMB, more and more mainland travelers are expected to come and shop in Hong Kong. According to statistics, retail sales have already increased for 14 successive months and the market activity is likely to grow further given the large number of favorable factors in place. Thus, prime shops in the traditional shopping areas will be hotly sought after by both investors and tenants.

The softening of Hong Kong dollar against foreign currencies will also enhance the overall competitiveness of Hong Kong and increase the city's attraction as a regional base for multinational companies and mainland enterprises. We believe demand for office premises will continue to be strong. Although the US sub-prime issues have cast a shadow on the economy, the stock market has shown signs of stabilization recently. The Group expects that the integration between Hong Kong and Mainland China will lend a strong support to the local economy. The EFG Group's recent decision to lease 50,000 square feet at International Commerce Centre provides further evidence that multinational companies are keen to take up office space in Hong Kong.

Enhancing Professionalism

The Group strives to enhance our professional services to customers, especially those institutional investors and corporate clients, through various initiatives including setting up the research department, hiring a team of surveyors and expanding the marketing unit. As part of concerted efforts to strengthen our corporate image, the Group has stepped up marketing activities to extend our presence. In April, our surveyor made a presentation to the Hong Kong Japanese Chamber of Commerce & Industry to raise our profile. Looking ahead, the Group will work along this direction and launch more marketing campaigns.

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 by way of introduction (the "Proposed Listing"). Details of the proposal were set out in the announcement dated 3rd April 2008. The Company will notify the shareholders by way of announcement of the latest development of the Proposed Listing.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 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	Total	Percentage of shareholding
	Personal interests	Family interests	Corporate interests	derivative (Share options)		
Mr. TSANG Link Carl, Brian	–	–	–	83,000,000 (Note)	83,000,000	1.00%

Note: These share options were granted under the share option scheme of the Company 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 31st March 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 31st March 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 shareholders	Number of issued shares	Number of underlying shares	Capacity in which shares are held	Percentage of shareholding
Midland Holdings Limited	4,300,000,000	5,400,000,000 (Note 1)	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)	660,610,000	—	Beneficial owner and interest in controlled corporation	7.96%
Ms. TUNG Ching Yee, Helena (Note 3)	660,610,000	—	Interest of spouse	7.96%
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 Note 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 Holdings Limited. The percentage holding of Midland Holdings Limited and Tretsfeld Investments Limited represents their interest in the existing issued share capital of the Company after full conversion of the Convertible Note.
- 660,000,000 shares were registered in the name of and beneficially owned by Summerview Enterprises Limited and 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.
- 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.
- 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31st March 2008 (2007: Nil).

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 three months ended 31st March 2008.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed and discussed with the management of the Company the unaudited quarterly results of the Group for the three months ended 31st March 2008.

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 quarterly period.

By order of the Board
Midland IC&I Limited
WONG Tsz Wa, Pierre
*Executive Director and
Chief Executive Officer*

Hong Kong, 15th May 2008