



美聯工商舖

MIDLAND IC&I

(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)

揭新頁 · 領市場

更勝一籌

INTERIM REPORT 中期業績報告 2014

*僅供識別 *For identification purpose only

CONTENTS

	Page
1. Corporate Information	2
2. Letter from Chief Executive Officer	3
3. Management Discussion and Analysis	7
4. Other Information	9
5. Condensed Consolidated Statement of Comprehensive Income (Unaudited)	16
6. Condensed Consolidated Balance Sheet (Unaudited)	17
7. Condensed Consolidated Statement of Changes in Equity (Unaudited)	19
8. Condensed Consolidated Statement of Cash Flows (Unaudited)	20
9. Notes to the Interim Financial Information (Unaudited)	21

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

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
Hong Kong Branch
DBS Bank (Hong Kong) Limited
Hang Seng 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

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Website

www.midlandici.com.hk

Stock Code

459

LETTER FROM CHIEF EXECUTIVE OFFICER

Business Review

For the six months ended 30 June 2014 (the “Interim Period”), Midland IC&I Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded a net profit of HK\$11,524,000, down 56.8% from the corresponding period in 2013, while revenue for the period decreased by 35.7% to approximately HK\$245 million. According to figures from the Land Registry, 2,680 registrations of non-residential properties transactions were recorded in the first half of 2014, involving approximately HK\$36 billion, down 61.4% and 52.2% year-on-year respectively.

Market transactions primarily focused on low-price properties

As the industrial, commercial and shop sectors were continuously hit by the property market cooling measures, transaction volume once fell to the trough in the first half, with no more than 450 transactions on average per month. Amongst the various segments, the impact on the medium-price property was noticeable and transactions were mostly at the low end of the segment with value below HK\$3 million. These properties were popular among investors primarily because of the relatively low investment costs, and provided support to the industrial, commercial and shop sectors in the first half of the year. In response to market conditions, the Group focused on the various projects for subdivision in which its members were appointed as exclusive agents in the first half of the year. Sales performance of such projects was very satisfactory and generated revenue for the Group as well as invigorated the market. In particular, a batch of remaining subdivided units of The CUBE in Tsuen Wan was all sold out in less than a few days in March 2014, while most of the subdivided units in KINGSWOOD CITY, Tin Shui Wai, in which the member of the Group acted as the exclusive agent, were all sold out within a short period of time in April, and raised approximately HK\$450 million for the vendor.

Investors with strong and solid financial strength were actively looking for investment opportunities to take advantage of a lukewarm market. Prices for shops in first-tier districts repeatedly hit record high. Following the sale of a spacious shop on Hennessy Road, Causeway Bay, for HK\$600 million in early 2014, a shop on the ground level on Percival Street, Causeway Bay with a price of HK\$925,000 per square foot (gross floor area), became the record deal in Hong Kong. The high price in urban area prompted investors in shops to switch to second- and third-tier districts, so that transactions of shops over HK\$100 million in Yuen Long and Tuen Mun were frequent. However, behind the record high, transactions dropped substantially and the gap between vendors and purchasers widened. Besides, Citigroup’s acquisition of the East Tower in One Bay East in Kowloon Bay from Wheelock Properties at HK\$5.425 billion made adjustment in property prices difficult.

LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Business Review (continued)

Prices of industrial, commercial and shop sectors remained steady

In the first half of 2014, transaction volume in the industrial, commercial and shop sectors hovered at around a low level. With respect to shops, the slow down in the growth in the number of new tourists visiting Hong Kong, and the downward trend in both retail sales value and volume as compared with the corresponding period last year, has resulted in general pressure on the prices and rental of first-tier shops and a substantial slow down in percentage rise. However, the sales of subdivided units in a number of retail properties kept the number of transactions in shops sector stable. As to commercial properties, in view of a number of favourable news such as the development in Kowloon East, Shanghai-Hong Kong Stock Connect and the sale of uncompleted first-hand commercial premises, en bloc transactions and transactions in relation to spacious properties were recorded occasionally, but this trend was not vibrant. In relation to industrial properties, the market sentiment was relatively stable. Industrial and commercial properties still benefited from the policy of the revitalization of industrial buildings and uses in industrial buildings became more diversified, which supported transactions in industrial and commercial properties. In the lackluster market, the Group continued to maintain its high quality service and to be the reliable partner for investors.

Outlook

The industrial, commercial and shop sectors are anticipated to recover in the second half of 2014 from all-time low in the first half of 2014 in view of a number of recent favourable factors. Transactions in the second quarter rebounded significantly as compared to the first quarter of 2014, but they were still far less than those prior to the introduction of the property market cooling measures. However, the market to a large extent has assimilated such measures, and some investors have already re-entered the market. The Group expects transactions to pick up in the second half which can benefit the Group's business.

LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Outlook (continued)

In the second half of the year, the boom of low end segment is expected to continue and the trend in commercial premises is expected to be remarkable

The global economy has been expanding at a moderate pace in general, while the U.S. government has finalized its quantitative easing tapering timetable, but fortunately the rate-hike cycle has not yet started. However, the abundance of capital worldwide for the time being and the persistent inflow of Chinese and foreign funds into Hong Kong have fueled improvement in the financial market. Moreover, following the launch of the Shanghai-Hong Kong Stock Connect in the second half of the year, it is expected that both Chinese and foreign institutions will actively set up their bases in Hong Kong. As a result, rental and buying demand for commercial premises is anticipated to be on the rise in the core districts on Hong Kong Island, while investors will, by taking advantage of the low-interest-rate environment, continue to look for industrial and commercial properties and shops for long-term investment. Apart from commercial premises on Hong Kong Island, Kowloon East also shows good prospects. In the first half of the year, a number of en bloc transactions of commercial and industrial buildings were recorded, and relocation of foreign and large corporations to that area also took place. It is expected that the development potential in that area cannot be underestimated. Following the commissioning of MTR lines in the southern and western districts on Hong Kong Island in the future, property prices in such districts could no doubt be viewed from a higher perspective.

However, given the slow down in the growth in the number of new tourists visiting Hong Kong and the downward trend in both retail sales value and volume as compared to corresponding period last year, it is expected that the increase in the prices and rental of shops will be under pressure. However, due to a short supply of shops and increasing demand for shops for retail, a sharp fall in transaction and price of shops will be unlikely. In a policy-driven market, low-price properties will continue to dominate the market, and a number of subdivided commercial premises and parking spaces will still be available for the Group in the second half of the year to generate revenue.

LETTER FROM CHIEF EXECUTIVE OFFICER *(continued)*

Outlook *(continued)*

Fully geared up for turn-around

To fully seize every investment opportunity arising from the expected steady rise in the transaction volume in industrial, commercial and shop sectors as well as the successive launches of first-hand commercial premises, sale of uncompleted residential projects, as well as projects for subdivision, the Group has strengthened talent retention, in order to achieve a higher market share in the industrial and commercial properties and shop sectors.

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, 25 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Liquidity, Financial Resources and Funding

As at 30 June 2014, the Group had cash and bank balances of HK\$601,865,000 (as at 31 December 2013: HK\$572,220,000), whilst bank loan amounted to HK\$9,576,000 (as at 31 December 2013: HK\$10,030,000). The Group's bank loan was secured by investment properties held by the Group of HK\$57,500,000 (as at 31 December 2013: HK\$57,400,000) and with maturity profile set out as follows:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Repayable		
Within 1 year	922	913
After 1 year but within 2 years	938	930
After 2 years but within 5 years	2,923	2,895
Over 5 years	4,793	5,292
	9,576	10,030

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

As at 30 June 2014, the Group had unutilised banking facilities amounting to HK\$15,500,000 (as at 31 December 2013: HK\$15,500,000) from a bank. 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.

As at 30 June 2014, the gearing ratio of the Group was 1.4% (as at 31 December 2013: 1.5%). 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 4.2 (as at 31 December 2013: 4.6).

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

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 owners' funds.

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

Contingent Liabilities

As at 30 June 2014, the Company executed corporate guarantees amounting to HK\$29,780,000 (as at 31 December 2013: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to its wholly-owned subsidiaries. As at 30 June 2014, HK\$9,576,000 of the banking facilities were utilised by a subsidiary (as at 31 December 2013: HK\$10,030,000).

The Group has been involved in certain claims/litigations in respect of property agency services. After seeking appropriate legal advice, the Directors are of the opinion that either no provision is required or that adequate provision has been made in the financial statements to cover any potential liabilities.

Employee Information

As at 30 June 2014, the Group employed 721 full-time employees (as at 31 December 2013: 746).

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 profits and share options 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 2014, 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 (Note 1)	5,000,000	0.04%
Mr. YING Wing Cheung, William	3,000,000	5,000,000 (Note 2)	8,000,000	0.06%
Mr. SHA Pau, Eric	–	5,000,000 (Note 3)	5,000,000	0.04%
Mr. HO Kwan Tat, Ted	–	5,000,000 (Note 4)	5,000,000	0.04%

* These shares are held by Directors as beneficial owner.

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 as beneficial owner by virtue of the interests in the share options of the Company granted to him.*
2. *These underlying shares are held by Mr. YING Wing Cheung, William as beneficial owner by virtue of the interests in the share options of the Company granted to him.*
3. *These underlying shares are held by Mr. SHA Pau, Eric as beneficial owner by virtue of the interests in the share options of the Company granted to him.*
4. *These underlying shares are held by Mr. HO Kwan Tat, Ted as beneficial owner by virtue of the interests in the share options of the Company granted to him.*
5. *Details of the share options granted to the above Directors are set out in the section headed "Share Option Scheme".*

OTHER INFORMATION (continued)

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

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

Name of associated corporation	Name of Director	Nature of interest/ Capacity	Number of shares	Number of underlying shares	Total	Approximate percentage of issued share capital of Midland Holdings
Midland Holdings Limited ("Midland Holdings")	Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	185,830,144 (Note 6)	7,209,160 (Note 7)	193,039,304	26.88%
		Personal interest/ Beneficial owner	-	7,209,160 (Note 8)	7,209,160	1.00%
Midland Holdings	Ms. WONG Ching Yi, Angela	Personal interest/ Beneficial owner	-	7,209,160 (Note 9)	7,209,160	1.00%

Notes:

- 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.
- 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.
- These underlying shares are held by Ms. TANG by virtue of the interests in the share options of Midland Holdings granted to her.
- 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.

OTHER INFORMATION *(continued)*

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

Save as disclosed above, as at 30 June 2014, 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.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, 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:

OTHER INFORMATION (continued)

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares (continued)

Long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Number of shares	Holding capacity/ Nature of interests	Approximate percentage of issued share capital of the Company
Midland Holdings	9,700,000,000 <i>(Note)</i>	Interest in controlled corporation/ Corporate interest	70.80%
Valuewit Assets Limited ("Valuewit")	9,700,000,000 <i>(Note)</i>	Beneficial owner/ Beneficial interest	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 2014, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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.

OTHER INFORMATION (continued)

Share Option Scheme (continued)

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 outstanding as at 1 January 2014	Number of share options			Balance outstanding as at 30 June 2014	Exercisable period
				Granted during the Interim Period	Cancelled/ lapsed during the Interim Period	Exercised 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	

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the Interim Period.

OTHER INFORMATION (continued)

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

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

Interim Dividend

The board of Directors (the "Board") does not declare an interim dividend for the Interim Period (2013: Nil).

Review of Financial Statements

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 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. The Audit Committee has also reviewed this interim report.

Corporate Governance

The Company has complied with all the code provisions set out in the Corporate Governance Code 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.

On specific enquiries made, all the Directors confirmed that they had 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 2014

		Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
	Note		
Revenues	3	245,017	380,829
Other income	4	2,213	4,219
Staff costs		(129,889)	(192,811)
Rebate incentives		(51,742)	(77,063)
Advertising and promotion expenses		(6,585)	(10,368)
Operating lease charges in respect of office and shop premises		(16,931)	(16,280)
Impairment of receivables		(11,920)	(34,388)
Depreciation and amortisation costs		(3,883)	(3,077)
Other operating costs		(14,541)	(21,220)
Operating profit	5	11,739	29,841
Finance income		1,280	1,211
Finance costs		(91)	(100)
Profit before taxation		12,928	30,952
Taxation	6	(1,404)	(4,257)
Profit for the period attributable to owners of the Company		11,524	26,695
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Currency translation differences		-	18
Total comprehensive income for the period attributable to owners of the Company		11,524	26,713
Earnings per share	8	HK cents	HK cents
Basic		0.08	0.19
Diluted		0.08	0.19

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2014

	Note	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		8,352	12,177
Investment properties	9	57,500	57,400
Deferred taxation assets		3,019	2,064
		68,871	71,641
Current assets			
Trade and other receivables	10	196,019	185,939
Tax recoverable		1	1,496
Cash and bank balances		601,865	572,220
		797,885	759,655
Total assets		866,756	831,296
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	137,000	137,000
Share premium		549,168	549,168
Reserves		(8,190)	(19,714)
Total equity		677,978	666,454

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

As at 30 June 2014

	Note	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Non-current liabilities			
Deferred taxation liabilities		478	473
Current liabilities			
Trade and other payables	12	176,405	151,788
Bank loan		9,576	10,030
Taxation payable		2,319	2,551
		188,300	164,369
Total liabilities		188,778	164,842
Total equity and liabilities		866,756	831,296
Net current assets		609,585	595,286
Total assets less current liabilities		678,456	666,927

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total equity HK\$'000
At 1 January 2014	137,000	549,168	(19,714)	666,454
Comprehensive income				
Profit for the period	–	–	11,524	11,524
At 30 June 2014	137,000	549,168	(8,190)	677,978
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Net cash from operating activities	28,923	69,880
Net cash from/(used in) investing activities	1,176	(4,416)
Net cash used in financing activities	(454)	(446)
Net increase in cash and cash equivalents	29,645	65,018
Cash and cash equivalents at 1 January	572,220	488,051
Cash and cash equivalents at 30 June	601,865	553,069

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 principal office 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 of the Company (the “Board”) on 25 August 2014.

2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared under the historical cost convention as modified by the revaluation of investment properties, 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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 2013 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 2014.

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 2014. 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.

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Impairment of Assets – Recoverable Amount Disclosures for Non- Financial Assets	1 January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
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)

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 on 1 January 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvement Projects	Annual Improvements 2010 – 2013 Cycle	1 July 2014

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

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Turnover		
Agency fee	243,999	369,929
Internet education and related services	–	9,969
	243,999	379,898
Other revenues		
Rental income from a fellow subsidiary	996	900
Rental income from a third party	22	21
Others	–	10
Total revenues	245,017	380,829

(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 which mainly includes the provision of internet education and related services. The internet education and related services business was disposed of in August 2013.

	Six months ended 30 June 2014				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Total revenues	71,679	39,555	142,268	-	253,502
Inter-segment revenues	(3,813)	(2,387)	(3,303)	-	(9,503)
Revenues from external customers	67,866	37,168	138,965	-	243,999
Segment results	(1,055)	495	17,375	(3)	16,812
Impairment of receivables	774	2,930	8,216	-	11,920
Depreciation and amortisation costs	1,301	1,240	1,219	-	3,760
Additions to non-current assets	21	14	57	-	92
Loss on disposal of property, plant and equipment	-	46	-	-	46

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2013				Total HK\$'000
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others 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 and amortisation costs	924	880	804	363	2,971
Additions to non-current assets	1,325	2,189	1,911	115	5,540

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 consolidated 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	
	2014 HK\$'000	2013 HK\$'000
Revenues from external customers for reportable segments	243,999	379,898
Rental income from a fellow subsidiary	996	900
Rental income from a third party	22	21
Others	–	10
Total revenues per consolidated statement of comprehensive income	245,017	380,829

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

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Segment results for reportable segments	16,812	34,654
Corporate income	2,024	–
Corporate expenses	(7,197)	(8,843)
Fair value gain on investment properties	100	4,030
Finance income	1,280	1,211
Finance costs	(91)	(100)
Profit before taxation per consolidated statement of comprehensive income	12,928	30,952

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 and deferred taxation, which are managed on a central basis. The following is total segment assets and liabilities by reportable segment:

	As at 30 June 2014				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	77,301	41,886	114,670	61	233,918
Segment liabilities	49,406	20,639	89,885	-	159,930

	As at 31 December 2013				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	88,962	149,298	90,457	61	328,778
Segment liabilities	53,062	22,639	64,002	-	139,703

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 2014 HK\$'000	As at 31 December 2013 HK\$'000
Segment assets	233,918	328,778
Corporate assets	629,819	500,454
Deferred taxation assets	3,019	2,064
Total assets per consolidated balance sheet	866,756	831,296

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Segment liabilities	159,930	139,703
Corporate liabilities	28,370	24,666
Deferred taxation liabilities	478	473
Total liabilities per consolidated balance sheet	188,778	164,842

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

4 Other income

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Service fee from a fellow subsidiary	2,024	–
Fair value gain on investment properties	100	4,030
Others	89	189
	2,213	4,219

5 Operating profit

Operating profit is arrived at after charging:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Loss on disposal of property, plant and equipment	46	–
Fair value loss on financial assets at fair value through profit or loss	–	17

6 Taxation

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Current		
Hong Kong profits tax	2,354	3,152
Deferred	(950)	1,105
	1,404	4,257

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 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 2013: Nil).

8 Earnings per share

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

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Profit attributable to owners of the Company	11,524	26,695
Number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000
Effect on conversion of share options (thousands)	–	1,403
Number of shares for calculation of diluted earnings per share (thousands)	13,700,000	13,701,403
Basic earnings per share (HK cents)	0.08	0.19
Diluted earnings per share (HK cents)	0.08	0.19

Basic earnings per share is calculated by dividing the profit attributable to owners 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 2014 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 Investment properties

Investment properties with net book value of HK\$57,500,000 (as at 31 December 2013: HK\$57,400,000) are pledged as security for the Group's bank loan.

The valuations of the investment properties at 30 June 2014 and 30 June 2013 were carried out by MIDLAND SURVEYORS LIMITED, a qualified surveyor. The valuations of the investment properties at 31 December 2013 were undertaken by Knight Frank Petty Limited, an independent qualified professional valuer not related to the Group. Fair values of investment properties are generally derived using the income capitalisation method which has taken into account certain significant unobservable inputs. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

10 Trade and other receivables

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Trade receivables	193,580	184,316
Less: provision for impairment	(12,874)	(16,454)
Trade receivables, net	180,706	167,862
Other receivables, prepayments and deposits	15,313	18,077
	196,019	185,939

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:

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

10 Trade and other receivables (continued)

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Not yet due	150,534	136,803
Less than 30 days	11,738	15,601
31 to 60 days	6,993	4,437
61 to 90 days	2,673	1,293
Over 90 days	8,768	9,728
	180,706	167,862

11 Share capital

	Number of shares (HK\$0.01 each)	Nominal value HK\$'000
Authorised:		
As at 30 June 2013, 31 December 2013 and 30 June 2014	50,000,000,000	500,000
Issued and fully paid:		
As at 30 June 2013, 31 December 2013 and 30 June 2014	13,700,000,000	137,000

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

12 Trade and other payables

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Commissions payable	140,842	122,001
Other payables and accruals	35,563	29,787
	176,405	151,788

Commissions payable to property consultants, co-operative estate agents and clients are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK\$21,900,000 (as at 31 December 2013: HK\$15,906,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

13 Capital commitments

The Group and the Company did not have any significant capital commitments as at 30 June 2014 and 31 December 2013.

14 Contingent liabilities

As at 30 June 2014, the Company executed corporate guarantee amounting to HK\$29,780,000 (as at 31 December 2013: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 30 June 2014, HK\$9,576,000 of the banking facilities were utilised by a subsidiary (as at 31 December 2013: HK\$10,030,000).

The Group has been involved in certain claims/litigations in respect of property agency services. After seeking appropriate legal advice, the Directors are of the opinion that either no provision is required or that adequate provision has been made in the financial statements to cover any potential liabilities.

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

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

		Six months ended 30 June	
Note		2014 HK\$'000	2013 HK\$'000
Agency fee income from fellow subsidiaries	(i)	10,434	6,353
Rental income in respect of office premise from a fellow subsidiary	(ii)	996	900
Rebate incentives to fellow subsidiaries	(iii)	38,086	52,073
Operating lease rental expense to related companies	(iv)	1,310	1,276
Service fee income from a fellow subsidiary	(v)	2,024	–

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 lease agreements 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 Company and a director of the ultimate holding company have beneficial interests, on terms mutually agreed by both parties.
- (v) Service fee income from a fellow subsidiary represents service fee for assistance provided by the Group in procuring the issuance of cashier orders to prospective purchasers of primary residential property referred by a fellow subsidiary at service fee charged on terms mutually agreed by both parties.

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

15 Significant related party transactions (continued)

(a) Transactions with related parties (continued)

In addition to the above, the Group shared administrative and corporate services on a cost basis with an aggregate amount of HK\$7,380,000 with its fellow subsidiaries during the period.

(b) Key management compensation

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Fees, salaries, allowances and incentives	2,685	5,411
Retirement benefit costs	16	21
	2,701	5,432

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:

	As at	As at
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
Amounts due from fellow subsidiaries	30,149	42,697
Amounts due to fellow subsidiaries	(42,051)	(21,565)

