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MIDLAND IC&I LIMITED
美聯工商舖有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 459)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the “Board”) of Midland IC&I Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013 (the “Interim Period”) together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013	2012
		HK\$'000	HK\$'000
Revenues	3(a)	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		29,841	84,794
Finance income		1,211	2,412
Finance costs		(100)	(187)
Profit before taxation		30,952	87,019
Taxation	5	(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

* For identification purpose only

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

For the six months ended 30 June 2013

	<i>Note</i>	Six months ended 30 June	2013	2012
		HK\$'000	HK\$'000	HK\$'000
Profit for the period attributable to:				
Equity holders		26,695	74,512	
Non-controlling interests		-	-	
		26,695	74,512	
Total comprehensive income for the period attributable to:				
Equity holders		26,713	74,534	
Non-controlling interests		-	-	
		26,713	74,534	
Earnings per share	6	HK cents	HK cents	
Basic		0.19	0.54	
Diluted		0.18	0.54	

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30 JUNE 2013

		As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		11,725	9,175
Investment properties		56,700	52,670
Deferred taxation assets		4,337	5,371
		<u>72,762</u>	<u>67,216</u>
Current assets			
Trade and other receivables	8	386,969	462,867
Financial assets at fair value through profit or loss		138	155
Cash and bank balances		553,069	488,051
		<u>940,176</u>	<u>951,073</u>
Total assets		<u>1,012,938</u>	<u>1,018,289</u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital		137,000	137,000
Share premium		549,168	549,168
Reserves		(17,933)	(44,646)
		<u>668,235</u>	<u>641,522</u>
Non-controlling interests		-	-
Total equity		<u>668,235</u>	<u>641,522</u>
Non-current liabilities			
Deferred taxation liabilities		556	486
Current liabilities			
Trade and other payables	9	311,399	346,237
Bank loan		10,480	10,926
Taxation payable		22,268	19,118
		<u>344,147</u>	<u>376,281</u>
Total liabilities		<u>344,703</u>	<u>376,767</u>
Total equity and liabilities		<u>1,012,938</u>	<u>1,018,289</u>
Net current assets		<u>596,029</u>	<u>574,792</u>
Total assets less current liabilities		<u>668,791</u>	<u>642,008</u>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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 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 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 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 "Listing Rules").

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.

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.

		Effective for accounting periods beginning on or after
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
HKAS28 (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

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:

		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	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

3 Revenues and segment information

(a) Revenues

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

(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.

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	Industrial properties	Shops	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)
	<u>135,831</u>	<u>66,363</u>	<u>167,735</u>	<u>9,969</u>	<u>379,898</u>
Revenues from external customers	135,831	66,363	167,735	9,969	379,898
	<u>17,760</u>	<u>1,747</u>	<u>14,661</u>	<u>486</u>	<u>34,654</u>
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

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	Six months ended 30 June 2012				Total HK\$'000
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others 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	<u>125,599</u>	<u>62,096</u>	<u>166,031</u>	<u>8,065</u>	<u>361,791</u>
Segment results	<u>31,293</u>	<u>13,461</u>	<u>40,665</u>	<u>339</u>	<u>85,758</u>
Impairment of receivables	9,770	3,376	8,816	85	22,047
Depreciation	301	650	338	403	1,692
Additions to non-current assets	<u>567</u>	<u>59</u>	<u>405</u>	<u>71</u>	<u>1,102</u>

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.

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	-
Total revenues per consolidated statement of comprehensive income	<u>380,829</u>	<u>362,617</u>

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	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)
	<hr/>	<hr/>
Profit before taxation per consolidated statement of comprehensive income	30,952	87,019
	<hr/> <hr/>	<hr/> <hr/>

4 Other income

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

5 Taxation

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

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.

6 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	
	2013	2012
	HK\$'000	HK\$'000
Profit attributable to equity holders	26,695	74,512
Effect on interest expense on convertible notes, net of tax	-	61
	<hr/>	<hr/>
Profit for calculation of basic and diluted earnings per share	26,695	74,573
	<hr/> <hr/>	<hr/> <hr/>
Number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000
Effect on conversion of share options (thousands)	1,403,509	-
	<hr/>	<hr/>
Number of shares for calculation of diluted earnings per share (thousands)	15,103,509	13,700,000
	<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share (HK cent)	0.19	0.54
Diluted earnings per share (HK cent)	0.18	0.54
	<hr/> <hr/>	<hr/> <hr/>

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.

7 Interim dividend

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

8 Trade and other receivables

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
	<u>364,787</u>	<u>446,992</u>

9 Trade and other payables

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2013, 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.

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.

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.

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:

Repayable	As at 30 June 2013 HK\$'000	As at 31 December 2012 HK\$'000
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
	10,480	10,926

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.

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 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.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Interim Period (2012: Nil).

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.

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.

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 HKICPA.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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.

PUBLICATION OF INTERIM RESULTS AND 2013 INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandici.com.hk). The 2013 Interim Report will be despatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

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.

By order of the Board
Midland IC&I Limited
WONG Hon Shing, Daniel
Chief Executive Officer and Executive Director

Hong Kong, 21 August 2013

As at the date of this announcement, the Board comprises seven Directors, of which three are Executive Directors, namely Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; one is Non-executive Director, namely Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate); and three are Independent Non-executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted.