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
FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of Midland IC&I Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 (the "Interim Period") together with the comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenues	*3*	**283,356**	223,549
Other income	*4*	**5,564**	2,001
Staff costs		**(157,472)**	(120,626)
Rebate incentives		**(20,642)**	(18,987)
Advertising and promotion expenses		**(5,194)**	(5,409)
Operating lease charges in respect of office and shop premises		**(6,151)**	(5,639)
Impairment of receivables		**(10,861)**	(12,287)
Depreciation		**(1,503)**	(1,013)
Other operating costs		**(12,642)**	(13,440)
Operating profit		**74,455**	48,149
Finance income		**816**	164
Finance costs		**(354)**	(511)
Profit before taxation		**74,917**	47,802
Taxation	*5*	**(11,781)**	(7,484)
Profit for the period		**63,136**	40,318
Other comprehensive income			
Currency translation differences		**(113)**	(9)
Total comprehensive income for the period		**63,023**	40,309

* *For identification purposes only*

	Note	Six months ended 30 June **2011** ***HK$'000***	 2010 *HK$'000*
Profit for the period attributable to:			
Equity holders		**63,136**	40,318
Non-controlling interests		**–**	–
		63,136	40,318
Total comprehensive income for the period attributable to:			
Equity holders		**63,023**	40,309
Non-controlling interests		**–**	–
		63,023	40,309
		HK cent	*HK cent*
Earnings per share	*6*		
Basic		**0.46**	0.30
Diluted		**0.46**	0.30

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2011

	Note	As at 30 June 2011 HK$'000	As at 31 December 2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**5,816**	4,721
Investment property		**39,800**	35,100
Deferred taxation assets		**3,516**	3,102
		49,132	42,923
Current assets			
Trade and other receivables	8	**220,996**	205,888
Financial assets at fair value through profit or loss		**167**	163
Cash and bank balances		**376,617**	316,002
		597,780	522,053
Total assets		**646,912**	564,976
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**83,000**	83,000
Share premium		**85,816**	85,816
Reserves		**267,074**	204,051
		435,890	372,867
Non-controlling interests		**–**	–
Total equity		**435,890**	372,867
Non-current liabilities			
Convertible notes		**–**	7,631
Deferred taxation liabilities		**2,155**	1,339
		2,155	8,970
Current liabilities			
Convertible notes		**5,170**	–
Bank loan		**12,233**	12,663
Trade and other payables	9	**174,135**	164,499
Taxation payable		**17,329**	5,977
		208,867	183,139
Total liabilities		**211,022**	192,109
Total equity and liabilities		**646,912**	564,976
Net current assets		**388,913**	338,914
Total assets less current liabilities		**438,045**	381,837

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

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 principal office in Hong Kong is Room 1801A, 18th Floor, One Grand Tower, 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

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

This unaudited condensed consolidated interim financial information has been approved by the Board on 24 August 2011.

2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2011 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 value, 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 ("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 2010, 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 2010 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 2011.

(a) Revised standards and amendments to standards effective in 2011

HKAS 24 (Revised)	Related Party Disclosures
HKAS 34 Amendment	Interim financial reporting

The adoption of the above revised standards and amendments to standards did not have significant effect on the condensed consolidated interim financial information or result in any significant changes in the Group's significant accounting policies except as described below:

Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The adoption of the above amendment to standard did not result in any additional disclosure in this condensed consolidated interim financial information.

(b) Standards, interpretations and amendments which are not yet effective

The HKICPA has issued a number of new and revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1 January 2011. The Group has not early adopted these new and revised standards, interpretations and amendments to standards.

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Turnover		
Agency fee	**271,707**	210,246
Internet education and related services	**10,952**	12,619
	282,659	222,865
Other revenue		
Rental income from a fellow subsidiary	**684**	684
Rental income from third party	**13**	–
Total revenues	**283,356**	223,549

(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 related services.

	Six months ended 30 June 2011				
	Property agency				
	Commercial properties	**Industrial properties**	**Shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Total revenues	**142,895**	**46,976**	**89,207**	**11,040**	**290,118**
Inter-segment revenues	**(4,928)**	**(861)**	**(1,582)**	**(88)**	**(7,459)**
Revenues from external customers	**137,967**	**46,115**	**87,625**	**10,952**	**282,659**
Segment results	**42,887**	**9,827**	**24,200**	**2,038**	**78,952**
Impairment of receivables	**4,615**	**3,613**	**2,633**	**–**	**10,861**
Depreciation	**446**	**365**	**143**	**213**	**1,167**
Additions to non-current assets	**116**	**1,301**	**784**	**346**	**2,547**

	Six months ended 30 June 2010				
	Property agency				
	Commercial properties *HK$'000*	Industrial properties *HK$'000*	Shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total revenues	90,665	38,093	90,451	12,619	231,828
Inter-segment revenues	(2,193)	(3,030)	(3,740)	–	(8,963)
Revenues from external customers	88,472	35,063	86,711	12,619	222,865
Segment results	23,655	7,136	21,901	2,061	54,753
Impairment of receivables	4,960	1,956	5,371	–	12,287
Depreciation	213	192	116	167	688
Additions to non-current assets	581	153	72	90	896

The Executive Directors assess the performance of the operating segments based on the operating results from each reportable segment. Corporate expenses, fair value gains on investment property occupied by group companies, 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.

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

	Six months ended 30 June	
	2011 *HK$'000*	2010 *HK$'000*
Revenues from external customers for reportable segments	**282,659**	222,865
Rental income from a fellow subsidiary	**684**	684
Rental income from third party	**13**	–
Total revenues per consolidated statement of comprehensive income	**283,356**	223,549

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

	Six months ended 30 June	
	2011 *HK$'000*	2010 *HK$'000*
Segment results for reportable segments	**78,952**	54,753
Corporate expenses	**(9,197)**	(8,504)
Fair value gains on investment property	**4,700**	1,900
Finance income	**816**	164
Finance costs	**(354)**	(511)
Profit before taxation per consolidated statement of comprehensive income	**74,917**	47,802

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

	As at 30 June 2011				
	Property agency				
	Commercial properties	**Industrial properties**	**Shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**114,085**	**129,629**	**79,306**	**14,697**	**337,717**
Segment liabilities	**79,668**	**32,348**	**47,854**	**2,453**	**162,323**

	As at 31 December 2010				
	Property agency				
	Commercial properties	Industrial properties	Shops	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	101,859	77,483	80,874	15,553	275,769
Segment liabilities	67,917	21,494	55,921	5,306	150,638

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Segment assets	**337,717**	275,769
Corporate assets	**305,512**	285,942
Deferred taxation assets	**3,516**	3,102
Financial assets at fair value through profit or loss	**167**	163
Total assets per consolidated balance sheet	**646,912**	564,976

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2011	As at 31 December 2010
	HK$'000	*HK$'000*
Segment liabilities	**162,323**	150,638
Corporate liabilities	**46,544**	40,132
Deferred taxation liabilities	**2,155**	1,339
Total liabilities per consolidated balance sheet	**211,022**	192,109

4 Other income

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Fair value gains on investment property	**4,700**	1,900
Sundries	**864**	101
	5,564	2,001

5 Taxation

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**11,379**	6,150
Deferred	**402**	1,334
	11,781	7,484

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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	
	2011	2010
	HK$'000	*HK$'000*
Profit attributable to equity holders	**63,136**	40,318
Effect on interest expense on convertible notes, net of tax	**200**	330
Profit for calculation of basic and diluted earnings per share	**63,336**	40,648
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
Number of shares for calculation of basic earnings per share (thousands)	**13,700,000**	13,700,000
Effect on conversion of share options (thousands)	**–**	–
Number of shares for calculation of diluted earnings per share (thousands)	**13,700,000**	13,700,000
Basic earnings per share (HK cent)	**0.46**	0.30
Diluted earnings per share (HK cent)	**0.46**	0.30

Basic earnings per share are 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 of the issuance of the convertible notes, 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 adjusted to assume conversion of all dilutive potential shares from share options. Adjustment is 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. For the six months ended 30 June 2011 and 2010, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

7 Interim dividend

The Board does not recommend the payment of an interim dividend for the Interim Period (six months ended 30 June 2010: Nil).

8 Trade and other receivables

The trade receivables represent principally 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 2011 *HK$'000*	As at 31 December 2010 *HK$'000*
Not yet due	**185,879**	184,953
Less than 30 days	**12,187**	5,090
31 to 60 days	**4,661**	3,318
61 to 90 days	**4,796**	2,127
Over 90 days	**5,398**	4,003
	212,921	199,491

9 Trade and other payables

The trade payables and commissions payable include principally the commissions payable to property consultants and co-operative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK$20,472,000 (as at 31 December 2010: HK$19,587,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the period ended 30 June 2011, the Group recorded a strong growth in revenue and profit and its interim results hit a new high since listed. Revenue and profit for the first half of the year increased by 26.8% to HK$283,356,000 and 56.6% to HK$63,136,000 as compared with the corresponding period last year, mainly resulted from the concerted efforts of the staff and expedient deployments in previous years.

The Group also benefited from the strong performance of the economic environment. Information from the Land Registry showed that during the first half of the year, the transaction volume of non-residential properties (the main indicator for the industrial and commercial properties and shops sector) increased considerably while that of residential properties recorded a decrease. During the interim period, the industrial and commercial properties and shops sector outperformed the residential properties sector, mainly due to lower policy risks, accordingly, under the low interest rate environment and strong economic performance, markets of the industrial and commercial properties and shops sector remained active.

In fact, a number of positive factors supported the market in the first half of the year. Firstly, interest rate remained low. Moreover, Hong Kong economy grew strongly and the GDP rose by 6.3% for the first half of the year while the total retail sales in the first half of the year increased by 24.4% in value over the same period a year earlier. For the first half of the year, Hong Kong continued to maintain its attractiveness as the shoppers' paradise and the number of visitors to Hong Kong for the first six months increased by 14.7% as compared with the corresponding period last year. Furthermore, the residential properties market was affected by the Special Stamp Duty introduced by the government in last November, and short-term investment activities had decreased considerably. The Group believes that some of the investors thus switched to the industrial and commercial properties and shops sector.

It should be noted that although the transaction volume of non-residential properties for the first half of this year increased by approximately 30% as compared with the same period last year, the change was slight if compared with the second half of last year. The Group considers that this was attributable to the cautious mortgage lending approach adopted by the banks in the second quarter. Nevertheless and as overview of the first half of the year, the non-residential properties sector still performed well.

The Group made expedient deployments during the period to capture the market. Firstly, in the first half of the year, the Group opened new branches, and the growth mainly came from Midland Realty (Comm. & Ind.) Limited which provides estate agency services in respect of industrial properties. Meanwhile, the Group increased its staff number by over 10%. Moreover, the Group also strengthened its brand building through the launching of TV commercials in the first half of the year which achieved satisfactory results.

Outlook

Undoubtedly, Hong Kong's economic trends performed well. In the first half of the year, there were robust growth in its economy, low unemployment rate and increase in total retail sales. However, external economy conditions are full of uncertainties. Despite the fact that national debt problem in U.S. alleviated temporarily, the downgrading of its sovereign credit rating and the slow pace of its economy recovery, the ongoing debt crisis in Europe and global inflation will bring instabilities to the economy. Fortunately, the economic growth in China remains robust even though the macro-economic policies have affected the performance of some industries. In the long run, the Group expects China's economy to grow steadily. Moreover, the Central Government continues to support the economic development of Hong Kong. During the official visit of Vice Premier Li Keqiang to Hong Kong in mid-August, he announced new policies and measures in support of Hong Kong's standing as an international financial center. The Group believes that those factors shall definitely benefit Hong Kong's future.

Stay Cautiously Optimistic to Meet Challenges

For the first half of the year, the transaction volume of non-residential properties recorded a strong increase. However, as mentioned above, if compared with the second half of last year, the change was slight. Markets of industrial and commercial properties and shops sector in June and July were less active than that in the beginning of the year, which could be more or less attributed to the cautious mortgage lending approach adopted by the banks. Further, the local stock market also affected the market sentiments of the industrial and commercial properties and shops sector which mainly is mainly driven by investors. Besides, persistent inflation has exerted upward pressure on operating costs, and competition at present is the fiercest in recent years, so the Group expects that the operating and business environment will be full of challenges in the second half of the year. However, in view of the lack of investment channels for investors, quality commercial buildings and shops will continue to be appealing.

Reinforce Existing Networks Enhance Staff Development

The Group expanded its branch networks and increased its headcounts in the first half of the year. And in the second half year, it will focus on strengthening the existing networks and staff training. In fact, the Group has poured considerable resources in enhancing professional standards and quality and achieved noticeable results, and such resources allocation has strengthen the ability of the Group in concluding deals of substantial amounts. Following the establishment of Surveying and Valuation Department and the launch of iPhone and Android applications, the Group will develop "E-Proposal" applications to strengthen the competitiveness of our frontline staff. Meanwhile, the Group will continue to strengthen staff communications and training as well as the overall productivity of our frontline staff.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding

As at 30 June 2011, the Group had cash and bank balances of HK$376,617,000 (as at 31 December 2010: HK$316,002,000), whilst bank loan amounted to HK$12,233,000 (as at 31 December 2010: HK$12,663,000). The Group's bank loan was secured by land and buildings, and investment property held by the Group of HK$40,165,000 (as at 31 December 2010: HK$35,470,000) and with maturity profile set out as follows:

Repayable	**As at 30 June 2011** *HK$'000*	As at 31 December 2010 *HK$'000*
Within 1 year	**868**	853
After 1 year but within 2 years	**886**	870
After 2 years but within 5 years	**2,762**	2,716
Over 5 years	**7,717**	8,224
	12,233	12,663

Note: The 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 2011, the Group had unutilised banking facilities amounting to HK$35,500,000 (as at 31 December 2010: HK$35,500,000) from various banks. The Group's cash and bank balances are deposited in Hong Kong Dollars and the Group's bank loans are in Hong Kong Dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 30 June 2011, the gearing ratio of the Group was 4% (as at 31 December 2010: 5.4%). The gearing ratio is calculated on the basis of the Group's total bank loans and liability portion of convertible notes 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 2.9 (as at 31 December 2010: 2.9).

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 2011, the Company executed corporate guarantees amounting to HK$49,780,000 (as at 31 December 2010: HK$49,780,000) as the securities for general banking facilities and bank loan extended to wholly-owned subsidiaries. As at 30 June 2011, HK$12,233,000 of the banking facilities were utilised by a subsidiary (as at 31 December 2010: HK$12,663,000).

Employee Information

As at 30 June 2011, the Group employed 553 full-time employees (as at 31 December 2010: 512).

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. On staff development, both in-house and external training and development programmes are conducted on a regular basis.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Interim Period (2010: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the requirements of all the code provisions set out in the Code on Corporate Governance Practices contained 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 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 the Directors and the Directors 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.

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 Interim Period.

PUBLICATION OF INTERIM RESULTS AND 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) respectively. The 2011 Interim Report will be despatched to the shareholders of the Company and will be available in the websites of the Stock Exchange and the Company in due course.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group 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.

APPRECIATION

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

On behalf of the Board
WONG Tsz Wa, Pierre
Executive Director and Chief Executive Officer

Hong Kong, 24 August 2011

As at the date of this announcement, the Board of the Company comprises six Directors, of which two are executive Directors, namely Ms. Tang Mei Lai, Metty and Mr. Wong Tsz Wa, Pierre; one is non-executive Director, namely Mr. Tsang Link Carl, Brian; and three are independent non-executive Directors, namely Mr. Ying Wing Cheung, William, Mr. Sha Pau, Eric and Mr. Ho Kwan Tat, Ted.