



## INTERIM REPORT 2007

**MIDLAND IC&I LIMITED**

**美聯工商舖有限公司\***

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8090)

\* For identification purposes only



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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*This report, for which the directors of Midland IC&I Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to Midland IC&I Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Mr. WONG Tsz Wa, Pierre  
(Chief Executive Officer)  
Ms. IP Kit Yee, Kitty  
(Managing Director)  
Ms. WONG Ching Yi, Angela

#### Non-executive Director

Mr. TSANG Link Carl, Brian

#### Independent Non-executive Directors

Mr. KOO Fook Sun, Louis  
Mr. SHA Pau, Eric  
Mr. YING Wing Cheung, William

#### Audit Committee

Mr. KOO Fook Sun, Louis  
(committee chairman)  
Mr. SHA Pau, Eric  
Mr. YING Wing Cheung, William

#### Remuneration Committee

Ms. IP Kit Yee, Kitty (committee chairlady)  
Mr. KOO Fook Sun, Louis  
Mr. SHA Pau, Eric  
Mr. YING Wing Cheung, William

#### Nomination Committee

Ms. IP Kit Yee, Kitty (committee chairlady)  
Mr. KOO Fook Sun, Louis  
Mr. SHA Pau, Eric  
Mr. YING Wing Cheung, William

#### Company Secretary

Ms. YUEN Wing Kwan, Annie

#### Qualified Accountant

Mr. SUM Yan Ning, Raymond

#### Compliance Officer

Ms. IP Kit Yee, Kitty

#### Authorised Representatives

Ms. IP Kit Yee, Kitty  
Ms. YUEN Wing Kwan, Annie

#### Registered Office

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

### Head Office and Principal Place of Business

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

#### Auditors

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central, Hong Kong

#### Principal Bankers

Agricultural Bank of China  
Fubon Bank (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
UBS AG

#### Hong Kong Legal Advisers

Lu, Lai & Li  
20th Floor  
Gloucester Tower  
The Landmark  
11 Pedder Street  
Central, Hong Kong

#### Cayman Islands Legal Advisers

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

#### Principal Share Registrar and Transfer Office

Bank of Bermuda (Cayman) Limited  
2nd Floor, Strathvale House  
North Church Street  
P.O. Box 513  
Grand Cayman KY1-1106  
Cayman Islands

#### Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Hong Kong

#### Website Address

[www.midlandici.com.hk](http://www.midlandici.com.hk)

#### Stock Code

8090



## INTERIM RESULTS

The Board of Directors (the “Board” or the “Directors”) of Midland IC&I Limited (the “Company”) is pleased to present the interim financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30th June 2007 (the “Interim Period”) together with comparative figures for the corresponding periods ended 30th June 2006 as follows:

### Consolidated Income Statements (Unaudited)

For the three months and six months ended 30th June 2007

	Note	Three months ended 30th June		Six months ended 30th June	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	3	99,975	80,858	170,858	153,935
Other income	4	1,906	1,213	3,215	2,334
Staff costs		(49,694)	(36,887)	(83,014)	(73,704)
Depreciation and amortisation costs		(898)	(1,300)	(1,873)	(2,648)
Other operating costs		(39,775)	(39,303)	(63,749)	(63,498)
Operating profit		11,514	4,581	25,437	16,419
Finance costs		(452)	-	(452)	-
Profit before taxation	5	11,062	4,581	24,985	16,419
Taxation expenses	6	(1,695)	(1,026)	(3,828)	(3,677)
Profit for the periods		9,367	3,555	21,157	12,742
Attributable to:					
Equity holders		9,504	3,585	21,356	12,900
Minority interests		(137)	(30)	(199)	(158)
		9,367	3,555	21,157	12,742
Earnings per share	7	HK cent	HK cent	HK cent	HK cent
Basic		0.07	0.03	0.16	0.09
Diluted		0.07	0.03	0.16	0.09
Interim dividend	8	-	-	-	-



## Consolidated Balance Sheets (Unaudited)

As at 30th June 2007

	Note	30th June 2007 HK\$'000	31st December 2006 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	4,108	5,909
Financial assets at fair value through profit or loss		–	5,054
Deferred taxation assets		2,458	1,635
		<u>6,566</u>	<u>12,598</u>
<b>Current assets</b>			
Inventories		534	580
Trade debtors	10	115,224	95,226
Amounts due from group companies		1,146	137,146
Other debtors, prepayments and deposits		7,828	8,137
Financial assets at fair value through profit or loss		117	130
Taxation recoverable		5,769	3,318
Cash and bank balances		109,336	119,642
		<u>239,954</u>	<u>364,179</u>
<b>Total assets</b>		<u>246,520</u>	<u>376,777</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	83,000	83,000
Reserves		36,003	137,264
		<u>119,003</u>	<u>220,264</u>
Minority interests		519	718
<b>Total equity</b>		<u>119,522</u>	<u>220,982</u>
<b>Non current liabilities</b>			
Convertible notes	12	22,648	–
Deferred taxation liabilities		11	41
		<u>22,659</u>	<u>41</u>



## Consolidated Balance Sheets (Unaudited) (Cont'd)

	<i>Note</i>	<b>30th June 2007 HK\$'000</b>	31st December 2006 HK\$'000
<b>Current liabilities</b>			
Trade creditors	13	<b>75,191</b>	58,496
Amounts due to group companies		<b>667</b>	23,137
Other creditors and accrued charges		<b>18,271</b>	13,126
Amounts due to minority shareholders		–	180
Taxation payable		<b>10,210</b>	5,815
Dividend payable		–	55,000
		<b>104,339</b>	155,754
<b>Total liabilities</b>		<b>126,998</b>	155,795
<b>Total equity and liabilities</b>		<b>246,520</b>	376,777
<b>Net current assets</b>		<b>135,615</b>	208,425
<b>Total assets less current liabilities</b>		<b>142,181</b>	221,023



### **Consolidated Cash Flow Statements (Unaudited)**

*For the six months ended 30th June 2007*

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>145,067</b>	1,154
Net cash used in investing activities	<b>(100,224)</b>	(1,374)
Net cash used in financing activities	<b>(55,180)</b>	(200)
Net decrease in cash and bank balances	<b>(10,337)</b>	(420)
Cash and bank balances at beginning of period	<b>119,642</b>	121,824
Effect of foreign exchange rate changes	<b>31</b>	26
Cash and bank balances at end of period	<b>109,336</b>	121,430



## Consolidated Statements of Changes in Equity (Unaudited)

For the six months ended 30th June 2007

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Equity holders HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January 2007	83,000	85,816	51,448	220,264	718	220,982
Changes in exchange rates recognised directly in equity	-	-	31	31	-	31
Profit for the period	-	-	21,356	21,356	(199)	21,157
Total recognised income/(expense) for the period	-	-	21,387	21,387	(199)	21,188
Reserve arising from the Acquisition (note 1)	-	-	(640,000)	(640,000)	-	(640,000)
Issue of convertible notes	-	-	517,352	517,352	-	517,352
	-	-	(101,261)	(101,261)	(199)	(101,460)
<b>At 30th June 2007</b>	<b>83,000</b>	<b>85,816</b>	<b>(49,813)</b>	<b>119,003</b>	<b>519</b>	<b>119,522</b>
At 1st January 2006	83,000	85,816	63,952	232,768	709	233,477
Changes in exchange rates recognised directly in equity	-	-	26	26	-	26
Profit for the period	-	-	12,900	12,900	(158)	12,742
Total recognised income/(expense) for the period	-	-	12,926	12,926	(158)	12,768
Share-based benefits	-	-	1,652	1,652	-	1,652
	-	-	14,578	14,578	(158)	14,420
At 30th June 2006	83,000	85,816	78,530	247,346	551	247,897





## NOTES TO THE FINANCIAL INFORMATION

### 1. General information

Midland IC&I Limited (formerly EVI Education Asia Limited) (the “Company”) is a limited liability company incorporated in the Cayman Islands and listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal office in Hong Kong is Room 1801A, 18th Floor, One Grand Tower, 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

On 6th June 2007, the Company completed the acquisition of the entire interest of Ketanfall Group Limited (“Ketanfall”), a holding company of a group of companies principally engaged in the business of industrial and commercial (office and shop) property brokerage in Hong Kong, from an indirect wholly-owned subsidiary of Midland Holdings Limited (“Midland”), the ultimate holding company of the Company, for a consideration of HK\$640 million (the “Acquisition”), which was satisfied by (i) the issuance of convertible notes by the Company in the principal amount of HK\$540 million; and (ii) cash payment of HK\$100 million.

The principal activities of the Company and its subsidiaries (collectively the “Group”) are provision of property brokerage services in respect of industrial and commercial (office and shop) properties in Hong Kong and internet education services in Hong Kong and Mainland China.

### 2. Basis of preparation and principal accounting policies

#### *i Basis of preparation*

Since the Company and Ketanfall are ultimately owned by Midland immediately before and after the Acquisition, this interim financial information has been prepared using the principle of merger accounting, as prescribed in Hong Kong Accounting Guideline (“HKAG”) 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

For the purpose of interim financial information, the consolidated income statements, consolidated cash flow statements and consolidated statements of changes in equity for the three months and six months ended 30th June 2006 and 2007 have been prepared on a combined basis and include the financial information of the companies under common control and comprising the Group as if the current group structure had been in existence throughout the period or since the date when the combining companies first came under the control of the controlling shareholder, where it is a shorter period. The consolidated balance sheets as at 31st December 2006 and 30th June 2007 have been prepared to present the assets and liabilities of the companies under common control comprising the Group at these dates, as if the current group structure had been in existence as at these dates.



Following the Acquisition as set out in note 1 and the adoption of HKAG5, the opening consolidated reserve as at 1st January 2006 and 2007 has been increased by approximately HK\$108,407,000 and HK\$95,118,000 respectively, which represent the inclusion of the results of Ketanfall and its subsidiaries as well as reserve arising from the Acquisition.

**ii Principal accounting policies**

The interim financial information has been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value, and also presented in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies and methods of computation adopted for the preparation of the interim financial information are consistent with those described in the 2006 annual financial statements except for the following:

- (i) The Group has applied a number of new standards, amendments and interpretations that are effective for accounting periods beginning on or after 1st January 2007 as follows:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Reporting and Impairment
HKFRS 7	Financial Instruments: Disclosures

The adoption of these new standards, amendments and interpretations and does not have any significant impact on the results and financial position or changes in the accounting policies of the Group, with the exception of HKAS 1 (Amendment) and HKFRS 7 which require additional disclosures in the annual financial statements.

The Group has not early adopted HKFRS 8 “Operating Segments” that is relevant to its operation and mandatory for accounting period beginning or after 1st January 2009. HKFRS 8 requires the reporting of financial and descriptive information about the reportable segments on the basis of internal reports that are regularly reviewed by its management. The Group will apply HKFRS 8 for the accounting period beginning on 1st January 2009, but it does not expect application of this standard to have significant impact on its financial statements.



(ii) In addition, the Group has adopted certain new accounting policies following the Acquisition (note 1), details of which are set out below:

(a) *Merger accounting for common control combination*

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the perspective of controlling party. No amount is recognised in consideration for goodwill or excess of the interest of the acquirer in the net fair value of the identifiable assets of the acquiree, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the interest of controlling party.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.



(b) *Convertible notes*

Convertible notes that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes are determined using a market interest rate for an equivalent non-convertible notes. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the note is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued.

(c) *Revenue recognition*

Agency fee revenues from property brokerage are recognised when the relevant agreements become unconditional or irrevocable.

### 3. Turnover and segment information

	Three months ended 30th June		Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Agency fee	95,176	74,042	161,176	141,377
Internet education and related services	4,799	6,816	9,682	12,558
Total revenue	99,975	80,858	170,858	153,935



**Six months ended and as at 30th June 2007**  
**Property brokerage**

	Office HK\$'000	Industrial HK\$'000	Shop HK\$'000	Others HK\$'000	Total HK\$'000
Turnover	78,266	39,192	43,718	9,682	170,858
Segment results	16,043	7,264	3,769	(1,125)	25,951
Unallocated costs					(3,696)
Operating profit before interest income					22,255
Interest income, net					2,730
Profit before taxation					24,985
Taxation expenses					(3,828)
Profit for the period					21,157
Segment assets	57,921	40,422	38,125	6,166	142,634
Unallocated assets					103,886
Total assets					246,520
Segment liabilities	43,041	25,351	28,528	3,768	100,688
Unallocated liabilities					26,310
Total liabilities					126,998
Capital expenditure	93	41	22	68	224
Depreciation costs	548	437	501	387	1,873
Impairment/(reversal of impairment) of trade debtors	7,831	4,429	4,298	(6)	16,552



**Six months ended 30th June 2006 and  
as at 31st December 2006**

	<b>Property brokerage</b>				<b>Total</b> HK\$'000
	<b>Office</b> HK\$'000	<b>Industrial</b> HK\$'000	<b>Shop</b> HK\$'000	<b>Others</b> HK\$'000	
Turnover	55,433	27,043	58,901	12,558	153,935
Segment results	5,956	3,686	8,684	(1,983)	16,343
Unallocated costs					(2,232)
Operating profit before interest income					14,111
Interest income					2,308
Profit before taxation					16,419
Taxation expenses					(3,677)
Profit for the period					12,742
Segment assets	43,682	31,075	33,380	8,038	116,175
Unallocated assets					260,602
Total assets					376,777
Segment liabilities	28,368	18,645	24,998	3,760	75,771
Unallocated liabilities					80,024
Total liabilities					155,795
Capital expenditure	144	430	234	566	1,374
Depreciation costs	625	809	705	501	2,640
Amortisation	-	-	-	8	8
Impairment of trade debtors	6,839	736	5,061	2	12,638

The Group is organised into four main business segments including property brokerage business for office, industrial and shop and other business mainly including the provision of internet education and related services.

Unallocated costs represent corporate expenses. Segment assets consist primarily of plant and equipment, trade and other debtors and operating cash and mainly exclude amounts due from group companies. Segment liabilities comprise operating liabilities and mainly exclude amounts due to group companies.



#### 4. Other income

	Three months ended 30th June		Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest	1,889	1,209	3,182	2,308
Sundries	17	4	33	26
	<u>1,906</u>	<u>1,213</u>	<u>3,215</u>	<u>2,334</u>

#### 5. Profit before taxation

Profit before taxation is arrived at after charging:

	Three months ended 30th June		Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Impairment of trade debtors	10,991	5,557	16,552	12,638
Operating lease charges:				
Office and shop premises	3,419	3,952	6,804	7,881
Others	35	52	70	105
Cost of inventories sold	1,752	1,539	3,493	3,521
Loss on disposal of property, plant and equipment	112	139	146	270
	<u>112</u>	<u>139</u>	<u>146</u>	<u>270</u>

#### 6. Taxation expenses

	Three months ended 30th June		Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Current				
Hong Kong profits tax	2,072	787	4,680	2,820
Deferred	(377)	239	(852)	857
	<u>1,695</u>	<u>1,026</u>	<u>3,828</u>	<u>3,677</u>

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the periods.



## 7. Earnings per share

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

	Three months ended 30th June		Six months ended 30th June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit attributable to equity holders	9,504	3,585	21,356	12,900
Effect on interest expense on convertible notes, net of tax	450	-	450	-
Profit for calculation of basic and diluted earnings per share	9,954	3,585	21,806	12,900
Weighted average number of shares in issue (thousands)	8,300,000	8,300,000	8,300,000	8,300,000
Effect on conversion of convertible notes (thousands)	5,400,000	5,400,000	5,400,000	5,400,000
Weighted average number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000	13,700,000	13,700,000
Effect on conversion of share options (thousands)	60,311	-	53,625	-
Weighted average number of shares for calculation of diluted earnings per share (thousands)	13,760,311	13,700,000	13,753,625	13,700,000
Basic earnings per share (HK cents)	0.07	0.03	0.16	0.09
Diluted earnings per share (HK cents)	0.07	0.03	0.16	0.09

Basic earnings per share is calculated by adjusting the weighted average number of shares to take effect of the convertible notes since the convertible notes are mandatory convertible. The convertible notes are assumed to have been converted into shares from the date when the combining entities first came under the control of the controlling party, and the net profit is adjusted to eliminate the interest expense less the tax effect.

In calculating the diluted earnings per share the weighted average number of shares is further adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have issued assuming the exercise of the share options.





## 8. Interim dividend

The Board does not recommend the payment of an interim dividend for the Interim Period (2006: Nil).

## 9. Capital expenditure

	<b>Intangible assets</b> HK\$'000	<b>Plant and equipment</b> HK\$'000
Opening net book amount as at 1st January 2007	–	5,909
Additions	–	224
Disposals	–	(146)
Depreciation	–	(1,873)
Changes in exchange rates	–	(6)
	<hr/>	<hr/>
Closing net book amount as at 30th June 2007	–	4,108
	<hr/>	<hr/>
Opening net book amount as at 1st January 2006	8	9,572
Additions	–	1,374
Disposals	–	(139)
Amortisation/depreciation	(8)	(2,640)
Impairment charges	–	(131)
	<hr/>	<hr/>
Closing net book amount as at 30th June 2006	–	8,036
Additions	–	600
Disposals	–	(424)
Depreciation	–	(2,430)
Changes in exchange rates	–	(4)
Reversal of impairment charges	–	131
	<hr/>	<hr/>
Closing net book amount as at 31st December 2006	–	5,909
	<hr/>	<hr/>



## 10. Trade debtors

The trade debtors mainly represent agency fee receivable from customers whereby no general credit facilities are available. The customers are obliged to settle the amounts due upon the completion of the relevant agreements. The aging analysis of the trade debtors is set out as follows:

	<b>30th June 2007 HK\$'000</b>	31st December 2006 HK\$'000
Not yet due	<b>96,095</b>	74,932
Within 30 days	<b>8,192</b>	9,754
31 to 60 days	<b>3,706</b>	3,786
61 to 90 days	<b>1,911</b>	1,997
Over 90 days	<b>5,320</b>	4,757
	<b>115,224</b>	95,226

## 11. Share capital

### (a) Share capital

	<b>Number of shares (HK\$0.01 each)</b>	<b>Nominal value HK\$'000</b>
<i>Authorised:</i>		
At 30th June 2007 and 31st December 2006	<u>50,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At 30th June 2007 and 31st December 2006	<u>8,300,000,000</u>	<u>83,000</u>



**(b) Share options**

On 6th June 2005, the Company adopted a new share option scheme (the “Scheme”) pursuant to an ordinary resolution. Under the Scheme, the Company may grant options to any employees, senior executives or officers, managers, Directors (including Executive, Non-executive and Independent Non-executive Directors) or consultants of the Company and its subsidiaries, or any other eligible persons, who, as determined by the Directors of the Company, have contributed or will contribute to the growth and development of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company at the adoption time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Directors of the Company, and will not be less than the higher of: (i) the nominal value of the shares of the Company; (ii) the average of the closing price of the shares of the Company quoted on the GEM of the Stock Exchange on the five trading days immediately preceding the date of offer of the options; or (iii) the closing price of the shares quoted on the GEM of the Stock Exchange on the date of offer of the options, which must be a business day as defined in GEM Listing Rules. The Scheme will remain in force for a period of ten years commencing from 6th June 2005.

Particulars and movements of share options which were granted under the Scheme are set out in pages 25 to 28 of this report.

**12. Convertible notes**

On 6th June 2007, the Company issued an aggregate of HK\$540,000,000 1% convertible notes due to June 2012 as part of the consideration for the Acquisition as set out in note 1 above. The note has the right to convert into new shares of HK\$0.01 each of the Company, during a period commencing from the date immediately after six months from date of issue of the note, unless with the prior written consent from the Company, to date of maturity, at an initial conversion price of HK\$0.10 per share. Unless previously converted, the note will be mandatory converted at date of maturity on 6th June 2012.

No convertible note was converted into ordinary shares during the period ended 30th June 2007.

**13. Trade creditors**

The trade creditors mainly represent the commissions payable to property consultants and cooperative estate agents, and are due for payment only upon the receipt of corresponding agency fees from customers. The trade creditors of HK\$6,863,000 (31st December 2006: HK\$6,420,000) were due for payment within 30 days. All the remaining trade creditors were not yet due.



#### 14. Related party transactions

The Group had the following material transactions with related parties during the periods and the balances with related parties at the end of the periods:

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

		<b>Six months ended 30th June</b>	
	<i>Note</i>	<b>2007 HK\$'000</b>	2006 HK\$'000
Agency fee income from fellow subsidiaries	<i>(i)</i>	<b>7,524</b>	2,060
Agency fee income from related companies	<i>(ii)</i>	<b>742</b>	812
Rebate commission expense to fellow subsidiaries	<i>(iii)</i>	<b>11,766</b>	13,898
Operating lease rental expense in respect of office and shop premises to related companies	<i>(iv)</i>	<b>1,284</b>	1,284
Web-site advertising expense to a fellow subsidiary	<i>(v)</i>	<b>189</b>	216
Management fee expense to a fellow subsidiary	<i>(vi)</i>	–	238
Management fee expense to ultimate holding company	<i>(vii)</i>	<b>3,651</b>	3,611

- (i) Agency fee income from fellow subsidiaries represents agency fee income for property brokerage transactions referred to fellow subsidiaries on terms mutually agreed by both parties.
- (ii) Agency fee income from related companies represents agency fee income for property brokerage transactions referred to certain companies in which a Director of the Company has beneficial interests of these companies, on terms mutually agreed by both parties.
- (iii) Commission expense to fellow subsidiaries represents commission for property brokerage transactions referred by fellow subsidiaries on terms mutually agreed by both parties.
- (iv) The Group entered into certain lease agreements with certain related companies, in which a Director of the ultimate holding company has beneficial interests of these companies, on terms mutually agreed by both parties.



- (v) Web-site advertising expense to a fellow subsidiary, for the purpose of advertising and promotion on the website of the business, are charged on terms mutually agreed by both parties.
- (vi) Management fee expense to a fellow subsidiary for the provision of general administration services is determined by predetermined rate according to the net agency fee income of the Group with a mark up of 5% of the actual administration cost.
- (vii) Management fee expense to ultimate holding company for the provision of general administration services is determined by predetermined rate according to the net agency fee income of the Group with a mark up of 5% of the actual administration cost.
- (viii) In June 2007, the Company acquired the entire interest of Ketanfall from an indirect wholly-owned subsidiary of Midland for a consideration of HK\$640 million as detailed in note 1 above.
- (b) The balances arising from receipt and provision of services included in trade debtors and trade creditors are as follows:

	<b>30th June 2007 HK\$'000</b>	31st December 2006 HK\$'000
Due from fellow subsidiaries	<b>11,250</b>	5,623
Due to fellow subsidiaries	<b>13,211</b>	8,447

(c) **Key management compensation**

	<b>Six months ended 30th June</b>	
	<b>2007 HK\$'000</b>	2006 HK\$'000
Salaries, allowances, commission and benefits in kind	<b>2,334</b>	2,109
Retirement benefit costs	<b>6</b>	6



## MANAGEMENT DISCUSSION AND ANALYSIS

### Review

In the second quarter, our business continued to gain ground with new income stream from a group reorganisation. For the period under review, sales revenue reached HK\$170,858,000, representing an increase of 10.99% from a year earlier. Profit attributable to shareholders rose 65.55% to approximately HK\$21,356,000.

2007 has been a milestone year for the Company. Through the business merger with Ketanfall Group of Midland Holdings Limited, our ultimate holding company, the scale and the reach of our business has been materially extended. Ketanfall is the holding company of a group of companies principally engaged in the business of industrial and commercial (office and shops) property brokerage in Hong Kong.

The reorganisation was completed on 6th June 2007. Since the Group adopted merger accounting for common control combination was adopted, the interim results already reflected the full contributions from the industrial and commercial (office and shops) property brokerage business during the whole period. In addition, previous income statements have been restated to factor in the business extension. In the first six months, the income from the real estate agency business accounted for 94.33% of the Group's revenue.

In June, the chief executive officer of Ketanfall Group took the helm of the Group, a move in line with the change in our principal business. The name of the Company has been changed to Midland IC&I Limited to reflect the shift in business focus.

In fact, the industrial and commercial (office and shops) property sector in Hong Kong performed strongly in the period from January through June 2007. The growth trend continued because of the favorable economic conditions and the strong demand from investors.

Buoyed by strong economy, local corporations kept expanding and consumers increased their spending. As a result, the strong interest in office premises and retail space turned even stronger. The bull-run in the equity market also helped. After making huge profits from stock trading, some investors shifted their focus to fixed assets and looked for investment opportunities in the property market.

The education and training related business remained lackluster. The turnover from this area dropped by 22.9% as a result of the fall in the net subscription income from EVI on-line system and the uninspiring performance of website development and commercial projects segment. However, thanks to the launch by the Government of "One-off School Development Grant" to kindergartens earlier this year and the Group's corresponding marketing initiatives, the turnover of sales and installation of computer hardware and software surged by 16%.



## **Outlook**

After extending the scope of business, the Group is about to embark on a year of transformation in 2007. In the second half, the new management will concentrate on transforming the Group into a property agency group with enhanced business strengths. As local economy continues to grow, the Group is optimistic that demand for non-residential properties will strengthen further, which will support our business expansion.

### ***Office Sector***

Grade A office take-up in the past three years, according to the Rating and Valuation Department, amounted to 7.05 million sq. ft., which is 5.6 times more than the total take up during 2001 to 2003. Office supply, however, declined. Grade A office supply during 2002 to 2004 reached 6.6 million sq. ft., but it declined dramatically to only 1.3 million sq. ft. over 2005 to 2006. The declining completion together with strong take up in the past two years sent rents to a new high and drove vacancy rate down to a recent-year low. Looking ahead, the demand-supply balance will still propel this sector.

On the demand front, the growth will be supported by local and foreign interest. First, the continuous expansion of local economy will prompt companies to restart their expansion plan. Second, as a gateway to Mainland China, Hong Kong will attract a lot of multinational corporations to set up offices in the core business districts. In fact, the number of oversea companies choosing Hong Kong as their region headquarters increased 27% from 966 in 2003 to 1,228 in 2006. Last but not least, if the financial market stays booming, a good number of companies will seek listing status in Hong Kong. And this will lead to strong take up in prime office space from the finance related companies.

### ***Industrial Sector***

According to Rating and Valuation Department's figures, there was no new supply of industrial properties in 2006. Because of limited supply, rents and prices registered a year-on-year growth of 12% and 25% in the final quarter of 2006 respectively. The Group believes that demand will keep outstripping supply in coming years, and that a persistent downtrend of the vacancy rate is inevitable, supporting prices and rents of industrial properties.

Another driving force is the strong investment demand. In fact, a lot of big-ticket transactions took place in the industrial sector. Investment demand emerges because of the strong interest in converting the usage of the industrial buildings. Also a favorable factor for the industrial sector is the relocation of businesses. Since rents of the office premises have increased sharply, the Group believes that some companies will move from traditional office towers to industrial buildings for the purpose of cost saving, creating new demand for this sector.



### ***Retail Sector***

Local demand will be the major driving force for the retail market. Undeniably, mainland travelers still provide a good source of income to the local retailers, but there are signs that growth in tourism spending has slowed down. The good news is, however, the retail sector can rely on domestic demand to drive the growth momentum further. The reason for optimism is that Hong Kong people are earning more today. According to government's tally, the family income of the households living in private residential units increased 3.3% year-on-year in the first quarter of current year. Based on the job market outlook, the rising tide of income will not ebb any time soon.

More importantly, the spending habits of Hong Kong people may change if zero or negative real interest rate environment re-emerges. Real interest rate is still in positive territory; it is quite likely that it will approach zero or even turn negative as inflation is set to increase. By then, Hong Kong people will lose appetite to save and increase their propensity to spend. So the Group expects prices and rents of retail space to rise in the second half of the year.

### ***Two-pronged Strategy***

Against a backdrop of increasing demand in the high-end market, the Group has implemented new business initiatives to tap the opportunities. First, the Group set up a new professional team comprising surveyors and experienced salesmen to focus on tender sale of non-residential sites and properties. Second, the Group formed a "Leasing Unit" to further penetrate the leasing market. This unit is specializing in providing one-stop-solution to corporate clients.

This two-pronged strategy represents the strong initiative to develop high-end markets, with a firm foothold established in the segment of strata-titled properties. The Group believes that the new business units will enable the Group to expand its market share by penetrating the market which has long been dominated by the international surveying firms. Among our target groups of customers are institutional investors who are looking for expert advice. The Group has allocated more resources to upgrade its marketing materials and professional reports. In the coming months, the Group will launch numerous indices to keep institutional investors informed of the latest market developments.

Looking ahead, the Group is committed to creating new growth drivers to enhance shareholders value.

### ***Financial Resources and Liquidity***

As at 30th June 2007, the Group maintained healthy financial position with current assets amounted to approximately HK\$240 million, of which trade debtors amounted to approximately HK\$115 million and cash and bank balances amounted to approximately HK\$109 million. The equity holders' funds of the Company amounted to approximately HK\$119 million. The Company and its subsidiaries did not have outstanding bank loan during the Interim Period. The Group's current liabilities amounted to approximately HK\$104 million, mainly comprising trade creditors and other creditors and accrued charges amounted to approximately HK\$75 million and HK\$18 million respectively.





The gearing ratio, which represents the percentage of long term borrowings over total equity was 19% as at 30th June 2007. 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 2.3.

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

During the Interim Period, other than the issue of convertible note, there was no 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.

### **Very Substantial Acquisition**

On 6th June 2007, the Company completed the acquisition of the entire issued share capital of Ketanfall Group Limited, a holding company of a group of companies principally engaged in the business of industrial and commercial (office and shops) property brokerage in Hong Kong, from an indirect wholly-owned subsidiary of Midland, for a total consideration of HK\$640 million satisfied as to HK\$540 million by the Company issuing the convertible note (the "Convertible Note") in the principal amount of HK\$540 million and as to HK\$100 million by cash. Following the abovementioned completion, Ketanfall has become a wholly-owned principal operating subsidiary of the Company.

### **Significant Investment Plan**

As at 30th June 2007, the Group did not hold any significant investment plan.

### **Employee Information**

As at 30th June 2007, the Group employed 575 full-time employees. The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, profit sharing 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.



## OTHER INFORMATION

### Change in Directorship

During the Interim Period, Mr. Wong Tsz Wa, Pierre was appointed as the Company's Executive Director and Chief Executive Officer, Ms. Ip Kit Yee, Kitty was appointed as the Company's Executive Director and Managing Director and Ms. Wong Ching Yi, Angela was appointed as the Company's Executive Director. Mr. Pong Wai San, Wilson and Mr. Lau Wai Shu, Terrence resigned from the Board on 11th June 2007 respectively.

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the Interim Period (2006: Nil).

### Change of Company Name

In order to better reflect the business nature of the Company upon the completion of the acquisition of the entire interest in Ketanfall Group Limited, the name of the Company was changed from "EVI Education Asia Limited" to "Midland IC&I Limited" and the Chinese name adopted for identification purposes was changed from "EVI教育亞洲有限公司" to "美聯工商舖有限公司" with effect from 6th June 2007.

### Change of Auditors

PricewaterhouseCoopers, were appointed as auditors of the Company on 31st May 2007 to fill the casual vacancy so arising upon the resignation of the predecessor auditors, Grant Thornton, on the same date to hold office until the conclusion of the forthcoming annual general meeting of the Company.

### Share Option Scheme

At the Company's extraordinary general meeting held on 6th June 2005, a share option scheme (the "Share Option Scheme") of the Company was adopted and approved by its shareholders.

#### 1. *Major Terms of the Share Option Scheme*

The major terms of the Share Option Scheme are summarized as follows:

##### (a) *Purposes of the Share Option Scheme*

The principal purposes of the Share Option Scheme are to enable the Group and its Invested Entities to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group or Invested Entities, to recognise the contributions of the Eligible Persons to the growth of the Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the Group or Invested Entities.



(b) *Participants of the Share Option Scheme*

The Board may invite any Eligible Person as the Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group or Invested Entity.

(c) *Total number of shares available for issue*

Total number of shares available for issue is 747,000,000, representing approximately 9% of the issued share capital of the Company as at the date of this announcement.

(d) *Maximum entitlement of each Eligible Person*

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person, in any 12-month period must not exceed 1% of the shares in issue.

Any further grant of share options in excess of the abovementioned limit shall be separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland Holdings Limited ("Midland"), the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and/other requirements prescribed under the Rules Governing the Listing of Securities on the The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (The "Stock Exchange") (the "GEM Listing Rules") and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from time to time.

(e) *Maximum entitlement of each Eligible Person who is a connected person*

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person who is an independent non-executive director or substantial shareholder of the Company, in any 12-month period shall not exceed 0.1% of the shares in issue and an aggregate value which based on the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of each grant shall not exceed HK\$5,000,000.

Any further grant of share options in excess of the abovementioned limit shall be subject to the issue of a circular by the Company and shall be separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and/other requirements prescribed under the GEM Listing Rules and the Listing Rules from time to time.



(f) *Time of exercise of Option*

The Share Option Scheme will remain in force for a period of ten years commencing from the Adoption Date, after which no further Options shall be granted. The Options which are granted during the life of the Share Option Scheme may, however, continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the Share Option Scheme shall remain in full force and effect.

(g) *Basis of determining the subscription price*

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and
- (iii) the nominal value of a share.

(h) *Remaining life of the Share Option Scheme*

The Share Option Scheme became effective on 6th June 2005 will remain in force for a period of ten years from the date of adoption.



## 2. Movements of Share Options during the Interim Period

Details of the outstanding share options granted to Mr. Tsang Link Carl, Brian (“Mr. Tsang”), a non-executive Director of the Company, on 16th January 2006 under the Share Option Scheme are as follows:-

Name	Date of grant	Exercise price HK\$	Number of share options			Balance outstanding as at 30th June 2007	Exercisable period
			Balance outstanding as at 1st January 2007	Options granted during the Interim Period	Exercised/ cancelled/ lapsed during the Interim Period		
Mr. Tsang	16th January 2006	0.06	41,500,000	-	-	41,500,000	1st April 2006 to 31st March 2009
	16th January 2006	0.06	41,500,000	-	-	41,500,000	1st June 2006 to 31st May 2009
			<u>83,000,000</u>			<u>83,000,000</u>	

No share options were granted by the Company during the Interim Period.



### Directors' interests in Shares, Underlying Shares and Debentures

As at 30th June 2007, the interests and short positions of each of the Directors, chief executives of the Company in the shares, underlying shares or debentures of the Company and or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register required to be kept under section 352 of the SFO, or (ii) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by the Directors as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

Name of director	Number of shares of the Company			Equity derivative (Share options)	Total	Percentage of shareholding
	Personal interests	Family interests	Corporate interests			
Mr. Tsang	-	-	-	83,000,000 (Note)	83,000,000	1.00%

Note: As disclosed in the section headed Share Option Scheme, these share options were granted under the Share Option Scheme to Mr. Tsang on 16th January 2006 for subscription of 83,000,000 shares of the Company at the exercise price of HK\$0.06 each.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 30th June 2007, none of the Directors, nor chief executive of the Company had or deemed to have any interests or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO).



### Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

As at 30th June 2007, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Number of issued shares	Number of underlying shares	Capacity in which shares are held	Percentage of shareholding
Midland	4,300,000,000	5,400,000,000 (Note 1)	Interest in controlled corporation	116.87%
Tretsfeld Investments Limited ("Tretsfeld")	–	5,400,000,000 (Note 1)	Beneficial owner	65.06%
Mr. Pong Wai San, Wilson ("Mr. Pong") (Note 2)	1,532,910,000	–	Beneficial owner and corporation interest	18.47%
Ms. Tung Ching Yee, Helena ("Ms. Helena Tung") (Note 3)	1,532,910,000	–	Interest of spouse	18.47%
Summerview Enterprises Limited ("Summerview") (Note 4)	1,382,300,000	–	Corporation interest	16.65%
Galaxy China Opportunities Fund	489,620,000	–	Beneficial owner	5.90%
Deutsche Bank Aktiengesellschaft	440,820,000	–	Person having a security interest in shares	5.31%

**Notes:**

1. These underlying shares refer to the shares to be issued upon full conversion of the Convertible Note in the principal amount of HK\$540 million issued by the Company to Tretsfeld. Tretsfeld is a wholly-owned subsidiary of Midland. The percentage holding of Midland and Tretsfeld represents their interest in the enlarged issued share capital of the Company after full conversion of the Convertible Note.
2. 1,382,300,000 shares were registered in the name of and beneficially owned by Summerview and 150,610,000 shares were registered in the name of Mr. Pong. The entire issued share capital of Summerview was registered in the name of and beneficially owned by Mr. Pong.
3. Ms. Helena Tung is the spouse of Mr. Pong, these shares held by Ms. Helena Tung represent the same block of shares held by Mr. Pong.
4. The interest of Summerview in the Company duplicates those of Mr. Pong in the Company.

All the interests disclosed above represent long position in the shares of the Company.

**Review by Audit Committee**

The Audit Committee has reviewed and discussed with the management of the Company the unaudited interim report. PricewaterhouseCoopers, the Company's auditors, have reviewed the unaudited interim financial information for the six months ended 30th June 2007 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.

**Code on Corporate Governance**

The Company had complied with the requirements of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the Interim Period.

**Code of Conduct Regarding Securities Transactions by Directors**

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of Directors, all Directors have complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's annual, interim and quarterly results that the Director cannot deal in the shares of the Company until after such results have been published.

**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.





### **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.

By Order of the Board

**Midland IC&I Limited**

**WONG Tsz Wa, Pierre**

*Executive Director and Chief Executive Officer*

Hong Kong, 14th August 2007