



MIDLAND IC&I LIMITED

美聯工商舖有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(股份代號 Stock code : 459)

Brighten the Future

INTERIM REPORT 2010





CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. TANG Mei Lai, Metty (*Chairman and Managing Director*)
Mr. WONG Tsz Wa, Pierre (*Chief Executive Officer*)

Non-executive Director

Mr. TSANG Link Carl, Brian

Independent Non-executive Directors

Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted

Audit Committee

Mr. HO Kwan Tat, Ted (*Committee Chairman*)
Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric

Remuneration Committee

Ms. TANG Mei Lai, Metty (*Committee Chairman*)
Mr. WONG Tsz Wa, Pierre
Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted

Nomination Committee

Ms. TANG Mei Lai, Metty (*Committee Chairman*)
Mr. WONG Tsz Wa, Pierre
Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted

Company Secretary

Ms. AU YEUNG Pui Shan, Karen (*appointed on 16 August 2010*)
Ms. KAM Man Yi, Margaret (*resigned on 16 August 2010*)

Authorised Representatives

Mr. WONG Tsz Wa, Pierre
Ms. AU YEUNG Pui Shan, Karen (*appointed on 16 August 2010*)
Ms. KAM Man Yi, Margaret (*resigned on 16 August 2010*)

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

Auditor

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

Principal Bankers

Agricultural Bank of China
Bank of Communications Co., Ltd.
Hong Kong Branch
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong)
Limited

Hong Kong Legal Advisers

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

Cayman Islands Legal Advisers

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

Principal Share Registrar and Transfer Office

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
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

www.midlandici.com.hk

Stock Code

459



INTERIM RESULTS

The board of directors (the “Board” or the “Directors”) of Midland IC&I Limited (the “Company”) is pleased to present the interim report and unaudited interim financial information of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2010 (the “Interim Period”) together with comparative figures. The unaudited interim financial information, which comprises unaudited condensed consolidated statements of comprehensive income, changes in equity and cash flow for the Interim Period, and the unaudited condensed consolidated balance sheet as at 30 June 2010, along with explanatory notes, are set out on pages 13 to 36 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the Interim Period, the Group saw a 62% increase in revenue to HK\$223.5 million. Meanwhile, earnings increased by 129% to HK\$40.3 million. A relatively low base for the year-on-year comparison was behind the substantial surge in earnings for the first half. In the same period a year ago, the non-residential sector of the property market was still under the spell of the global financial tsunami. As the sector started to improve in the second half of 2009, we were able to seize every opportunity and the results in the first half was comparable to that in the bottom half of last year.

Low interest environment stimulates economy, property transactions

Market data show a whopping 90% increase in the transaction value of non-residential properties in the first half, compared to the same period in 2009. The continual low interest environment in Hong Kong was a strong factor backing the sector. While having shifted slightly higher earlier on in the year, the Hong Kong interbank overnight rates (HIBOR) have trended down lately and are likely to remain soft. Low borrowing cost, coupled with the lack of an outlet for accumulated capital, has fanned investor desire to enter the property market. Meanwhile, a year-on-year jump of 8.2% and 6.5% in gross domestic product in the first and second quarter respectively showed the local economy on the mend. The latest export value further logged a 24% rise year on year to roughly the pre-tsunami level. Further reflecting a strengthening economy is the 10.5% year-on-year growth in overall capital spending in the first quarter. Meanwhile, retail sales also expanded, rising 17.9% in the first half year on year. All of the above factors have helped bolster the industrial and commercial sector.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Upgrade service to grasp opportunity

During the Interim Period, the Group was able to seize the favourable turn in the market by adding just enough manpower. We were encouraged by good results in a range of projects. Early efforts to develop the industrial sector began to pay off, for instance. We had set up a project team to specialise in revitalising old industrial buildings. The one-stop concept offers property owners services in renovation, marketing and leasing while educating the public and prospective tenants via seminars. With client support, the team was appointed to handle several projects regarding revitalising industrial buildings in the first half. At the same time, in line with boosting professional standards, the Group also stepped up involvement in large-scale property transactions. For instance, we helped broker the sale of 51% of the ownership of Nam Wo Hong at 148 Wing Lok Street in Sheung Wan for HK\$238 million, as well as the second and third floor of 2A Sai Yeung Choi Street of Mongkok for HK\$208 million.

Outlook

Hong Kong will continue to benefit from mainland China's economic development. Indeed, since the launch of the Individual Visit Scheme in 2003, Hong Kong has become a favourite shopping destination among mainland Chinese. The Capital Investment Entrant Scheme, launched subsequently to allow property ownership of at least HK\$6.5 million as a criterion for residency in the city, further drew mainlanders to Hong Kong's property market. The Big Five state-owned Chinese banks also added to the momentum of Hong Kong's economic growth. Now that Bank of China, China Construction Bank, Bank of Communications, Industrial and Commercial Bank of China and Agriculture Bank of China (which recently raised the largest amount ever in an initial public offering) all got listed in Hong Kong one after the other, the city's status as a major financial centre in the region is ensconced. Partly due to this hinterland factor, Hong Kong has become a "hot spot" for fund houses and financial institutions to establish their presence by setting up offices.

Cross-border collaboration props market

As the ties between the mainland and Hong Kong strengthen, a number of Chinese enterprises also have set up a toehold in this city. Some have embarked on the acquisition trail. Suning Appliance Co. Ltd, a large mainland electronics retailer, for one, took over Citicall Retail Management Ltd, a Hong Kong company, back in March. A few months earlier, China Resources Enterprise Ltd had purchased Pacific Coffee Co, Hong Kong's second largest specialised coffee chain. Cross fertilization among businesses across the border is giving rise to more economic opportunities. We are ever on the watch to take advantage of such development.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Continual cross-border co-operation and a low interest trend are the two major forces driving the non-residential sector of the property market in Hong Kong. As long as borrowing costs stay low, more investors as well as users will acquire commercial properties. Of course, no matter whether it is for retail or office use, properties located in prime districts have accumulated a certain amount of increase in value. On the other hand, commercial properties in less prime locations are likely to catch the eye of more investors in the foreseeable future.

Assess risks to operate prudently

To be sure, the industrial and commercial sector has been blessed by a number of positive developments. But on the global front, uncertainty still dogs the economy. In the United States, not all economic indicators are positive. In Europe, no one is sure if the worst is over, although the recent credit crisis of the PIIGS countries (ie, Portugal, Italy, Ireland, Greece and Spain) seemed to have abated. Growth in some business sectors is likely to be held back by the above-mentioned uncertainties. On top of that, the return rates for some industrial or commercial properties in prime locations have fallen to an extremely low level. If the upturn in rental rates slows, investors will lose heart in the market. Moreover, if interest rates start to climb, the dampening effect on buying sentiment will be even more obvious.

Besides, the recent measures launched by the government are aimed at making the property market grow healthily and they should not have any adverse impact on the industrial and commercial sector. In the second half, the Group will follow its longstanding strategy of evaluating risk and opportunity in the marketplace. We shall exercise prudence in our operations, adding human resources only when we see market demand and expanding our network as we see fit. But above all, we shall continue to raise professionalism among our staff to go after a bigger toehold in the large-scale project segment.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review

Liquidity, Financial Resources and Funding

As at 30 June 2010, the Group had net current assets of HK\$276,656,000 including bank balances and cash of HK\$285,041,000, whilst bank loan amounted to HK\$13,087,000. The Group's bank loan was secured by the property held by the Group of HK\$33,070,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	851
After 1 year but within 2 years	868
After 2 years but within 5 years	2,710
Over 5 years	8,658

The Group had unutilised banking facilities amounting to HK\$35,500,000 from various banks. The bank loan was granted to the Group on a floating rate basis. As at 30 June 2010, the Group had pledged fixed deposits of HK\$216,000.

As at 30 June 2010, the gearing ratio, which represents the percentage of borrowings and liability portion of convertible notes over total equity of the Group was 7.9% (31 December 2009: 10.2%). 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 3.1 (31 December 2009: 2.9).

The Directors believe that the existing financial resources of the Group are sufficient to fulfill its commitments, current working capital requirements and further development.

Capital Structure and Foreign Exchange Exposure

During the Interim Period, 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 dollar. The Directors considered that the foreign exchange exposure of the Group is minimal.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Contingent Liabilities

As at 30 June 2010, the Company executed corporate guarantees amounting to HK\$49,780,000 (31 December 2009: HK\$49,780,000) as the securities for general banking facilities and bank loan extended to wholly-owned subsidiaries. As at 31 December 2009, the bank loans drawn by one of its subsidiaries was HK\$14,280,000.

Employee Information

As at 30 June 2010, the Group employed 500 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

Share Option Scheme

At the Company's extraordinary general meeting held on 19 September 2008, a share option scheme (the "Share Option Scheme") of the Company was adopted and approved by its shareholders.

The major terms of the Share Option Scheme are summarised 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, to take up the options under the Share Option Scheme.

(c) Total number of shares available for issue

Total number of shares available for issue is 830,000,000, representing 10% of the issued share capital of the Company as at the date of this report.



OTHER INFORMATION *(continued)*

(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 of the Company 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 eligible person and his associates abstaining from voting and/or other requirements prescribed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and other applicable statutory regulations or rules must be complied with.

(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 a substantial shareholder of the Company, in any 12-month period shall not exceed 0.1% of the shares of the Company in issue and an aggregate value which based on the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations 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/or other requirements prescribed under the Listing Rules from time to time.



OTHER INFORMATION *(continued)*

(f) Time of exercise of option

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption, 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 exercise price

The exercise price of an option to subscribe for shares granted 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 of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date;
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a share of the Company.

(h) Remaining life of the Share Option Scheme

The Share Option Scheme became effective on 19 September 2008 and will remain in force for a period of 10 years from the date of adoption.

During the Interim Period, no share option had been granted, exercised, cancelled or lapsed under the Share Option Scheme.



OTHER INFORMATION *(continued)*

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2010, the interests and short positions of each of the Directors and 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) notified to the Company and the Stock Exchange pursuant to the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Name of director	Number of shares of the Company				Total	Percentage of shareholding
	Personal interests	Family interests	Corporate interests	Equity derivative		
Mr. WONG Tsz Wa, Pierre	2,000,000	-	-	-	2,000,000	0.02%

Company name	Name of director	Number of shares of the associated corporation of the Company				Total	Percentage of shareholding
		Personal interests	Family interests	Corporate interests	Equity derivative		
Midland	Ms. TANG Mei Lai, Metty	-	36,568,144 (Note 1)	-	-	36,568,144	5.05%

Note:

- Such shares represent the shares held by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as beneficial owner in the shares of Midland, the associated corporation of the Company.

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

Save as disclosed above, none of the Directors nor chief executive of the Company had or deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2010.



OTHER INFORMATION *(continued)*

Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2010, the interests or short positions of the persons, other than a director or chief executive of the Company, in the shares or 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 substantial shareholder	Number of issued shares	Number of underlying shares	Capacity in which shares are held	Percentage of the issued capital
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%

Note:

1. These underlying shares refer to the shares to be issued upon full conversion of the convertible notes 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 existing issued share capital of the Company after full conversion of the convertible notes.

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

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Interim Period (2009: 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.



OTHER INFORMATION *(continued)*

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.

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 or Redemption of the Company's Listed Securities

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

Review by Audit Committee

The audit committee has reviewed and discussed with the management of the Company the interim report of the Company for the Interim Period. PricewaterhouseCoopers, the Company's auditor, has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "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.

By Order of the Board

Midland IC&I Limited

WONG Tsz Wa, Pierre

Executive Director and Chief Executive Officer

Hong Kong, 24 August 2010



Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2010

	Note	Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Revenues	3	223,549	137,756
Other income	4	2,001	1,977
Staff costs		(120,626)	(71,014)
Rebate commissions		(16,652)	(16,736)
Advertising and promotion expenses		(7,744)	(4,329)
Operating lease charges in respect of office and shop premises		(5,639)	(6,626)
Impairment of receivables		(12,287)	(4,815)
Depreciation		(1,013)	(1,006)
Other operating costs		(13,440)	(13,849)
Operating profit	5	48,149	21,358
Finance income		164	190
Finance costs		(511)	(652)
Profit before taxation		47,802	20,896
Taxation	6	(7,484)	(3,256)
Profit for the period		40,318	17,640
Other comprehensive income			
Currency translation differences		(9)	(2)
Total comprehensive income for the period		40,309	17,638



Condensed Consolidated Statement of Comprehensive Income (Unaudited) (continued)
 For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
		HK\$'000	HK\$'000
Note			
<hr/>			
Profit for the period attributable to:			
Equity holders		40,318	17,640
Non-controlling interests		-	-
		40,318	17,640
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Total comprehensive income for the period attributable to:			
Equity holders		40,309	17,638
Non-controlling interests		-	-
		40,309	17,638
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		HK cent	HK cent
Earnings per share	7		
Basic		0.30	0.13
Diluted		0.30	0.13
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Condensed Consolidated Balance Sheet (Unaudited)

As at 30 June 2010

	Note	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	9	4,578	4,675
Investment property	9	33,000	31,100
Deferred taxation assets		1,681	2,667
		39,259	38,442
Current assets			
Trade and other receivables	10	123,877	138,345
Financial assets at fair value through profit or loss		156	174
Cash and bank balances		285,041	230,478
		409,074	368,997
Total assets		448,333	407,439
EQUITY AND LIABILITIES			
Equity holders			
Share capital	11	83,000	83,000
Share premium		85,816	85,816
Reserves		123,972	83,663
		292,788	252,479
Non-controlling interests		-	-
Total equity		292,788	252,479
Non-current liabilities			
Bank loan	12	12,236	12,654
Convertible notes		10,012	12,316
Deferred taxation liabilities		879	531
		23,127	25,501
Current liabilities			
Bank loan	12	851	859
Trade and other payables	13	115,163	118,319
Taxation payable		16,404	10,281
		132,418	129,459
Total liabilities		155,545	154,960
Total equity and liabilities		448,333	407,439
Net current assets		276,656	239,538
Total assets less current liabilities		315,915	277,980



Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2010

	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
Net cash from operating activities	58,441	5,840
Net cash used in investing activities	(752)	(30,220)
Net cash (used in)/from financing activities	(3,126)	11,776
Net increase/(decrease) in cash and cash equivalents	54,563	(12,604)
Cash and cash equivalents at 1 January	230,478	180,374
Cash and cash equivalents at 30 June	285,041	167,770



Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2010

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total equity HK\$'000
At 1 January 2010	83,000	85,816	83,663	252,479
Total comprehensive income	-	-	40,309	40,309
At 30 June 2010	83,000	85,816	123,972	292,788
At 1 January 2009	83,000	85,816	6,612	175,428
Total comprehensive income	-	-	17,638	17,638
At 30 June 2009	83,000	85,816	24,250	193,066



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. 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 2010.

2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2010 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 HKICPA and the applicable disclosure requirements of Appendix 16 to 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2009 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 2010.



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

2 Basis of preparation and significant accounting policies (continued)

(a) Revised standards and amendments to standards effective in 2010

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 17 Amendment	Lease
HKAS 18 Amendment	Revenue
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 3 (Revised)	Business Combination
HKFRS 5 Amendment	Non-current Assets held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segment

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:

- (a) HKFRS 3 (Revised) "Business combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The adoption of this revised standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.



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

2 Basis of preparation and significant accounting policies (continued)

(a) Revised standards and amendments to standards effective in 2010 (continued)

- (b) HKAS 27 (Revised) "Consolidated and separate financial statements". The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the income statement. Also, additional guidance is given on linked transactions. The adoption of this amendment to standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.
- (c) HKAS 17 Amendment, "Leases". It deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 Amendment has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.



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

2 Basis of preparation and significant accounting policies (continued)

(a) Revised standards and amendments to standards effective in 2010 (continued)

The accounting for land interest classified as finance lease is as below:

- (i) If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term; and
- (ii) If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property and carried at fair value.

The effect of the adoption of this amendment is as below:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Decrease in leasehold land	(70)	(71)
Increase in property, plant and equipment	70	71

(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 2010. The Group has not early adopted these new and revised standards, interpretations and amendments to standards.



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

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Turnover		
Agency fee	210,246	127,748
Internet education and related services	12,619	9,846
	222,865	137,594
Other revenue		
Rental income from a fellow subsidiary	684	162
Total revenues	223,549	137,756

(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.



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

3 Revenues and segment information (continued)

(b) Segment information (continued)

	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	20,715	5,814	18,854	2,061	47,444
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

	Six months ended 30 June 2009				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Total revenues	53,113	20,951	56,430	9,857	140,351
Inter-segment revenues	(388)	(749)	(1,609)	(11)	(2,757)
Revenues from external customers	52,725	20,202	54,821	9,846	137,594
Segment results	10,958	4,775	4,503	335	20,571
Impairment of/(reversal of provision on) receivables	153	(664)	5,326	-	4,815
Depreciation	338	319	258	15	930
Additions to non-current assets	110	6	5	52	173



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

3 Revenues and segment information (continued)

(b) Segment information (continued)

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 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	
	2010 HK\$'000	2009 HK\$'000
Revenues from external customers for reportable segments	222,865	137,594
Rental income from a fellow subsidiary	684	162
Total revenues per consolidated statement of comprehensive income	223,549	137,756

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

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	
	2010 HK\$'000	2009 HK\$'000
Segment results for reportable segments	47,444	20,571
Corporate expenses	(1,195)	(1,079)
Fair value gains on investment property	1,900	1,866
Finance income	164	190
Finance costs	(511)	(652)
Profit before taxation per consolidated statement of comprehensive income	47,802	20,896

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. These are part of the reconciliation to total balance sheet assets.

As at 30 June 2010

	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	
Segment assets	51,685	64,472	55,842	14,870	186,869
Segment liabilities	39,382	19,172	40,741	2,792	102,087



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

3 Revenues and segment information (continued)

(b) Segment information (continued)

As at 31 December 2009

	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	
Segment assets	72,739	57,747	53,194	14,138	197,818
Segment liabilities	48,999	26,884	37,218	4,134	117,235

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Segment assets	186,869	197,818
Corporate assets	259,627	206,780
Deferred taxation assets	1,681	2,667
Financial assets at fair value through profit or loss	156	174
Total assets per the consolidated balance sheet	448,333	407,439



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

3 Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Segment liabilities	102,087	117,235
Corporate liabilities	52,579	37,194
Deferred taxation liabilities	879	531
Total liabilities per the consolidated balance sheet	155,545	154,960

4 Other income

	Six months ended 30 June 2010 HK\$'000	2009 HK\$'000
Dividend income	–	4
Fair value gains on investment property	1,900	1,866
Sundries	101	107
	2,001	1,977



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

5 Operating profit

Operating profit is arrived at after charging:

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Unrealised loss on financial assets at fair value through profit or loss	18	–

6 Taxation

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current		
Hong Kong profits tax	6,150	5,191
Deferred	1,334	(1,935)
	7,484	3,256

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the Interim Period.



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

7 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	
	2010 HK\$'000	2009 HK\$'000
Profit attributable to equity holders	40,318	17,640
Effect on interest expense on convertible notes, net of tax	330	452
Profit for calculation of basic and diluted earnings per share	40,648	18,092
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)	0.30	0.13
Diluted earnings per share (HK cent)	0.30	0.13

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 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.



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

7 Earnings per share (continued)

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. Diluted earnings per share for the six months ended 30 June 2009 did not assume the exercise of share options outstanding during the period since the exercise of share options would have an anti-dilutive effect.

8 Interim dividend

The Board does not recommend the payment of an interim dividend for the Interim Period (six months ended 30 June 2009: Nil).



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

9 Capital expenditure and leasehold land

	Property, plant and equipment HK\$'000	Investment property HK\$'000	Leasehold land HK\$'000
Opening net book amounts as at 1 January 2010 (as previously reported)	4,604	31,100	71
Adjustment for adoption of amendment to HKAS 17	71	–	(71)
Opening net book amounts as at 1 January 2010 (as restated)	4,675	31,100	–
Additions	916	–	–
Change in fair value	–	1,900	–
Depreciation	(1,013)	–	–
Closing net book amounts as at 30 June 2010	4,578	33,000	–
Opening net book amounts as at 1 January 2009	3,244	–	–
Additions	1,876	28,534	–
Change in fair value	–	1,866	–
Depreciation	(1,006)	–	–
Closing net book amounts as at 30 June 2009	4,114	30,400	–
Additions	1,632	–	–
Change in fair value	–	700	–
Depreciation	(1,071)	–	–
Closing net book amounts as at 31 December 2009	4,675	31,100	–



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

10 Trade and other receivables

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Trade receivables	126,817	148,822
Less: impairment	(10,639)	(17,620)
Trade receivables, net	116,178	131,202
Other receivables, prepayments and deposits	7,699	7,143
	123,877	138,345

The trade receivables represent principally agency fee receivables from customers whereby no general credit facilities are available. The customers are obliged to settle the amounts upon the completion of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Not yet due	90,211	118,388
Less than 30 days	12,964	6,181
31 to 60 days	3,864	3,101
61 to 90 days	3,703	1,832
Over 90 days	5,436	1,700
	116,178	131,202



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

11 Share capital

	Number of shares (HK\$0.01 each)	Nominal value HK\$'000
Authorised:		
As at 30 June 2009, 31 December 2009 and 30 June 2010	50,000,000,000	500,000
Issued and fully paid:		
As at 30 June 2009, 31 December 2009 and 30 June 2010	8,300,000,000	83,000

12 Bank Loan

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Secured bank loan		
Non-current	12,236	12,654
Current	851	859
	13,087	13,513

Movement in borrowings in analysed as follows:

	2010 HK\$'000	2009 HK\$'000
Balance as at 1 January	13,513	–
Drawdown of bank loan	–	14,280
Repayment of bank loan	(426)	(346)
Balance as at 30 June	13,087	13,934



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

13 Trade and other payables

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Trade payables	388	681
Commissions payable	87,499	91,892
Other payables and accruals	27,276	25,746
	115,163	118,319

The trade payables and commissions payable include principally the commissions payable to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$18,451,000 (as at 31 December 2009: HK\$19,818,000) which are due for payment within 30 days, and all the remaining trade payables and commission payable are not yet due.

14 Contingent liabilities

As 30 June 2010, the Company executed corporate guarantee amounting to HK\$49,780,000 (as at 31 December 2009: HK\$49,780,000) as the securities for general banking facilities and bank loans extended to wholly-owned subsidiaries. At 31 December 2009, the bank loan drawn by one of its subsidiaries was HK\$14,280,000.



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

15 Significant related party transactions

The Group had the following significant transactions with related parties during the period and balances with related parties at the end of the Interim Period:

(a) Transactions with related parties

		Six months ended 30 June	
	Note	2010 HK\$'000	2009 HK\$'000
Agency fee income from fellow subsidiaries	(i)	10,051	6,416
Agency fee income from related companies	(ii)	179	360
Rental income in respect of office premises from a fellow subsidiary	(iii)	684	162
Rebate commission expense to fellow subsidiaries	(iv)	15,125	15,397

Notes:

- (i) Agency fee from fellow subsidiaries represents agency fee for property agency transactions referred to fellow subsidiaries on terms mutually agreed by both parties.
- (ii) Agency fee from related companies represents agency fee for property agency transactions referred to certain companies in which, a director of ultimate holding company has beneficial interests, on terms mutually agreed by both parties.
- (iii) The Group entered a lease agreement with a fellow subsidiary on terms mutually agreed by both parties.
- (iv) Rebate commission expense to fellow subsidiaries represents commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.



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

15 Significant related party transactions (continued)

(b) Key management compensation

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Salaries and commission and other benefits	6,025	3,398

The amount represents emolument paid or payable to directors of the Company for the period.

- (c) The balances arising from receipt and provision of services included in trade receivables and trade payables are as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Amounts due from fellow subsidiaries	8,307	10,766
Amounts due to fellow subsidiaries	14,250	16,772