

# Striding forward for Innovation and Progression



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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman*)  
Ms. WONG Ching Yi, Angela  
(*Deputy Chairman and Managing Director*)  
Mr. WONG Tsz Wa, Pierre (*Managing Director*)  
Mr. CHEUNG Kam Shing

#### Non-Executive Director

Mr. WONG Wing Cheung Dennis

#### Independent Non-Executive Directors

Mr. HO Kwan Tat, Ted  
Mr. SUN Tak Chiu  
Mr. WONG San

### AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted (*Committee Chairman*)  
Mr. SUN Tak Chiu  
Mr. WONG San

### REMUNERATION COMMITTEE

Mr. SUN Tak Chiu (*Committee Chairman*)  
Mr. WONG Kin Yip, Freddie  
Ms. WONG Ching Yi, Angela  
Mr. HO Kwan Tat, Ted  
Mr. WONG San

### NOMINATION COMMITTEE

Mr. HO Kwan Tat, Ted (*Committee Chairman*)  
Mr. WONG Kin Yip, Freddie  
Ms. WONG Ching Yi, Angela  
Mr. SUN Tak Chiu  
Mr. WONG San

### COMPANY SECRETARY

Ms. MUI Ngar May, Joel

### AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela  
Mr. SZE Ka Ming

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor  
World-Wide House  
19 Des Voeux Road Central  
Hong Kong

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22nd Floor  
Prince's Building  
Central  
Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Chong Hing Bank Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
OCBC Wing Hang Bank Limited

### HONG KONG LEGAL ADVISER

Iu, Lai & Li Solicitors & Notaries  
Rooms 2201, 2201A & 2202  
22nd Floor, Tower I, Admiralty Centre  
No. 18 Harcourt Road, Admiralty  
Hong Kong

### BERMUDA LEGAL ADVISER

Conyers Dill & Pearman  
29th Floor, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor, North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### WEBSITE

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

### STOCK CODE

1200

# Chairman's Statement

## Business Review

Midland Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") announce that for the six months ended 30 June 2020 (the "Interim Period"), the Group recorded a revenue of approximately HK\$2,468 million, representing a decrease of 14.8% as compared with the corresponding period of 2019. Loss attributable to equity holders amounted to approximately HK\$24 million (for the six months ended 30 June 2019: profit attributable to equity holders amounted to approximately HK\$94 million).

The net loss recorded during the reporting period was mainly attributable to the adverse market conditions caused by the unprecedented COVID-19 pandemic and the associated combating measures in Hong Kong and the Mainland China, which led to:

1. significant drop in the transaction value and volume of residential properties in Hong Kong for the six months ended 30 June 2020, in particular in the primary residential market, as compared with those for the corresponding period in 2019;
2. drop in revenue from our operations in Mainland China, resulting in segmental loss; and
3. significant drop in revenue from our business under the brand name "Hong Kong Property 香港置業", a wholly-owned subsidiary of the Company, resulting in operating loss recorded for that business, in contrast to the profit recorded for the business under the brand name "Midland Realty 美聯物業".

## Market Tensions Caused by Multiple Factors

The signing of Phase One Economic and Trade Agreement between Mainland China and the US in January 2020, coupled with the easing of the social tensions after the Hong Kong District Council election last November helped turn the market conditions temporarily into positive at the beginning of the year. However, market sentiments had been dampened following the outbreak of COVID-19, causing the market consolidation which began last June to extend into 2020.

The initial COVID-19 outbreak at the beginning of 2020 hit the primary residential market particularly hard. In addition to potential buyers adopting wait-and-see attitudes, the disease prevention and control measures such as the prohibition on group gathering imposed by the Hong Kong government, prompted hesitation among developers in launching new projects. In the three-month period from February to April 2020, only few new projects were launched. According to the figures from the Land Registry, the volume and value of new home sales registrations fell 48.9% and 49.2% respectively in the first half of 2020 as compared with the corresponding period of 2019.

Benefitted from the relaxation of the mortgage ceiling implemented by the government last October, the market of the secondary residential properties worth HK\$10 million or below performed relatively better. According to the figures from the Land Registry, the volume of secondary home sales registrations only posted a year-on-year decline of 5.1% in the first six months of the year. Under the government's new initiatives, the mortgage ceiling for those residential properties worth between HK\$6 million to HK\$8 million has been relaxed the most. Consequently, the sales volume pertaining to this price range bucked the trend and posted a growth of about 30%.

# Chairman's Statement (continued)

## Business Review (continued)

### Market Gradually Recovered in Second Quarter of 2020

The market improved markedly in the second quarter of 2020, mainly due to the efforts made by the governments around the world to stabilise the economy. The general market consensus was that interest rate would stay nearly zero for a certain period of time. Moreover, Mainland China and Hong Kong have performed better than most of the western countries in infection prevention and control, making the local market confident on its economic recovery. As the second wave of the outbreak subsided, the Hong Kong government relaxed the prevention measures and the local economy once showed signs of rebound. According to the Midland Property Price Index, property prices of local residential properties bottomed out in late April 2020, and had risen by approximately 4% till July. The 10-month market consolidation which began in June 2019 ended.

## Outlook

### Economic Impact of Pandemic and US-China Trade Dispute Slow to Ease

Looking ahead to the second half of 2020, the global economy is expected to remain weak due to the global COVID-19 pandemic not yet under control. Hong Kong is experiencing the third wave with signs of community outbreak. The Hong Kong government has tightened prevention measures, leading to a complete standstill for certain economic activities, such as tourism. Unemployment rate is expected to continue to rise, bringing uncertainties to the future of the property market.

Internationally, the further worsening of the relationship between the US and Mainland China led to the revocation of Hong Kong's special status with the US, which is expected to bring limited direct economic impacts to Hong Kong. According to the government's figures, Hong Kong's domestic exports to the US only accounted for around 0.1% of its total exports in 2019, indicating that the impacts of an increase in US custom duty and tariff would be insignificant. However, the tension between the US and Mainland China are casting shadows onto the prospects of Hong Kong's economy and property market.

### Hong Kong's Financial Status Remains Robust

The local economy is facing challenges both internally and externally, but the Chinese economy has been gradually recovering because of the swiftness in containing the COVID-19 pandemic. After shrinking by 6.8% year-on-year in the first quarter, the GDP of Mainland China posted a 3.2% year-on-year growth in the second quarter of 2020. Hong Kong is expected to benefit from the strong economic performance of Mainland China. The recent listings of Alibaba, JD.com and NetEase in Hong Kong have further demonstrated the role of Hong Kong as an international financial centre. It is expected that more Mainland Chinese IT giants and unicorns listed in the US will have their secondary listings in Hong Kong, providing important support and impetus to the Hong Kong economy.

# Chairman's Statement (continued)

## Outlook (continued)

### Property Market Resilience

The property market in Hong Kong has experienced five consolidations in the recent decade, in which they all shared two commonalities. Firstly, the price correction was mild. Secondly, they did not last long and the recoveries took their own course. The most recent consolidation which took place between June 2019 and April 2020 should have been the most severe one as it suffered the triple blows of the intensification of the social events, deterioration of the relationship between the US and Mainland China, and the COVID-19 outbreak. However, local property prices remained stable, dropping less than 10% during that period. The prices rose by approximately 4% from late April to July 2020. The resilience of the local property market suggests that its fundamentals are strong.

The low interest environment and limited supply, coupled with the Hong Kong government's relaxation of the mortgage ceiling, are expected to provide continued support for the local property market. Following the relaxation of the mortgage ceiling, the small-to-medium sized units are expected to fare well. The luxury units are likely to benefit from the government's shelving of the vacancy tax. If the pandemic in Hong Kong was to be contained in the second half of 2020, it is expected that developers would speed up the pace of launching new projects, which would fuel a strong recovery in the sales activities in the primary residential market.

## Appreciation

I would like to extend my heartfelt gratitude to our board members and staff for their unwavering dedication even in the midst of the pandemic of the century. I would also like to take this opportunity to thank our shareholders and customers for their enduring support to the Group. We remain committed to providing quality services in order to lead the Group to a brighter future.

**WONG Kin Yip, Freddie**  
*Chairman*

Hong Kong, 28 August 2020

## Strategic Review and Planning

### **Strived to Thrive in Adversity with the Use of Digital Sales Tools**

Without a doubt, 2020 has been a difficult year for the Hong Kong property market. Although the COVID-19 pandemic has once brought economic activities to a standstill, the Group has remained determined to continue its operation. The Group has strived its best to maintain normal services and operation, expedite the marketing strategies for the stay-at-home economy and actively exploit online platforms, video-conferencing facilities, and other deployment of technological applications.

Despite the challenging operating environment, Midland Realty, the Group's flagship business unit, was able to make a profit. Benefitted from the Hong Kong government's relaxation of the mortgage ceiling and the reduction in new home supply, the Group has gained ground in the secondary property market. The Group has always been committed to expanding its digital presence, and the business initiatives on this front have paid off in the current environment. In the first half of 2020, the number of enquiries received by the Group's omni-channel, including live-chat service, customer service hotline, social media, WhatsApp, email, and online property viewing appointment booking averaged over 20,000 per month, representing a significant increase of 85% as compared with that of the second half of 2019. In particular, the number of successful business conversions from enquiries received by our live-chat service registered a half-on-half growth of 31%.

In response to the impact caused by the pandemic, Midland Realty has proactively produced property video clips, and our agents become the online property experts to conduct virtual property tours. Customers are able to view properties at any time through this brand new channel. The platform of Midland Realty already has had features such as property video clips and 3-D property viewings for few years. The Group's early kick-start in digital investment has paid off and brought ease of operation during the pandemic. The market response to such contactless viewings has been strong and the number of views has hit 9 million times.

### **Seized the Chance to Step Up Cost Control and Streamline Business**

While secondary market in Hong Kong improved slightly in the second quarter of 2020 which benefitted the Group's core brand Midland Realty, developers slowed down the launch of new projects, and Hong Kong property market remained extremely challenging. In addition, the Group's operation in Mainland China also went through a trying time, as the lockdown measures imposed by the central government to combat the pandemic in the first few months of the year froze property market. Despite the market improvements in recent months, the Group's mainland operation has not yet fully resumed. Management has stepped up cost control efforts. The Group continued its efforts to seek rental reduction, and received favourable response from most of the landlords.

## Strategic Review and Planning *(continued)*

### **Built a Comprehensive Platform to Prepare for Market Recovery**

The COVID-19 has brought about massive challenges and impacts, but we are certain that the pandemic will someday be contained. The local home prices during the past 12 months showed resilience. When the dust settles, transaction activities are likely to stage a strong recovery, and the Group is preparing for it. The number of agency outlets in Hong Kong has resumed its uptrend recently after falling for more than a year. The Group is confident that its continued investment in technological innovation and digital applications will help it to differentiate itself from the traditional property agents. During the reporting period, the Group has been proactively building a comprehensive sales platform. The Group will continue to invest in the development of information and digital technology, so as to strengthen our competitiveness.

The Group will continue to press for progress, meeting challenges head on and working hand in hand with our staff to tide over this difficult time.

**WONG Ching Yi, Angela**

*Deputy Chairman and Managing Director*

Hong Kong, 28 August 2020



## Management Discussion and Analysis

The Chairman's Statement from pages 3 to 5 and the Strategic Review and Planning from pages 6 to 7 form part of the Management Discussion and Analysis.

### Financial Review

#### Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and loan facilities from banks.

As at 30 June 2020, the Group had cash and bank balances of HK\$1,471,491,000 (as at 31 December 2019: HK\$1,151,688,000).

As at 30 June 2020, the interest-bearing bank borrowings of the Group amounted to HK\$924,700,000 (as at 31 December 2019: HK\$489,000,000) and with maturity profile set out as follows:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Repayable within 1 year	924,700	489,000

As at 30 June 2020, the gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, was 71.1% (as at 31 December 2019: 36.9%). Increase in gearing ratio was mainly due to the increase in bank borrowings to meet the short-term funding requirement for the sales of primary residential properties. The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (as at 31 December 2019: 1.1). The return on equity, which is the ratio of (loss)/profit for the period over the total equity of the Group, was -1.87% (for the six months ended 30 June 2019: 6.30%).

As at 30 June 2020, the Group has unutilised borrowing facilities amounting to HK\$1,745,245,000 (as at 31 December 2019: HK\$2,201,556,000) from various banks. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company (the "Directors") will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

As at 30 June 2020, certain land and buildings and investment properties held by the Group of HK\$57,912,000 (as at 31 December 2019: HK\$58,465,000) and HK\$59,147,000 (as at 31 December 2019: HK\$61,353,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured, inter alia, by floating charge over certain receivables of the Group with carrying value of approximately HK\$2,610,909,000 (as at 31 December 2019: HK\$1,917,269,000).

# Management Discussion and Analysis (continued)

## Financial Review (continued)

### Liquidity and financial resources (continued)

The Group's cash and bank balances are denominated in Hong Kong dollars, Renminbi and Macau Pataca and the Group's borrowings are in Hong Kong dollars. No currency hedging tool is used.

The Group's business has been conducted primarily in Hong Kong and its monetary assets and liabilities are mainly denominated in Hong Kong dollars. The Group is exposed to Renminbi exchange rate risk as the assets and liabilities of the Group's PRC subsidiaries are primarily denominated in Renminbi. Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Directors consider that no hedging measure against Renminbi exchange rate exposure is necessary at this stage but will closely monitor its fluctuations.

### Contingent liabilities

As at 30 June 2020, the Company executed corporate guarantee of HK\$2,751,945,000 (as at 31 December 2019: HK\$2,752,556,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2020, banking facilities of HK\$970,559,000 were utilised by these subsidiaries (as at 31 December 2019: HK\$528,899,000).

## Employee Information

As at 30 June 2020, the Group employed 7,121 full time employees (as at 31 December 2019: 6,726) of which 6,034 were sales agents, 612 were back office supportive employees and 475 were frontline supportive employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, incentives tied in with profits and share options may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits. In respect of staff development, both in-house and external training and development programmes are conducted on a regular basis.

## Other Information

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2020, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or otherwise, were as follows:

#### (i) Long positions in the shares and underlying shares of the Company

Name of Directors	Number of ordinary shares		Number of underlying shares		Approximate percentage of the issued voting shares of the Company
	Personal interest/Beneficial owner	Corporate interest/Interest of controlled corporations	Personal interest/Beneficial owner (Note 1)	Total	
Mr. WONG Kin Yip, Freddie	24,490,000	227,337,824 (Note 2)	4,587,150	256,414,974	35.71%
Ms. WONG Ching Yi, Angela	–	–	8,191,730	8,191,730	1.14%

Notes:

- These underlying shares (being physically settled unlisted derivatives) were held by the Director(s) by virtue of the interests in the share options of the Company granted to him/her. Details of the share options granted by the Company to the above Directors are set out in the section headed "Share Option Schemes" in this interim report.
- These shares were held by Sunluck Services Limited which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited.

## Other Information (continued)

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

#### (ii) Long positions in the shares and underlying shares of associated corporations of the Company

Name of associated corporations	Name of Directors	Number of ordinary shares			Number of underlying shares		Total	Approximate percentage of the issued voting shares of associated corporation
		Personal interest/Beneficial owner	Corporate interest/Interest of controlled corporations	Family interest/Interest of spouse	Personal interest/Beneficial owner	Corporate interest/Interest of controlled corporations		
Midland IC&I Limited	Mr. WONG Kin Yip, Freddie	12,245,000	1,126,429,677 (Note 3)	-	-	434,782,608 (Note 4)	1,573,457,285	87.16%
Midland IC&I Limited	Mr. WONG Tsz Wa, Pierre	200,000	-	132,000 (Note 5)	-	-	332,000	0.02%
Powerful Surge Group Limited	Ms. WONG Ching Yi, Angela	5	-	-	-	-	5	5%
Powerful Surge Group Limited	Mr. WONG Tsz Wa, Pierre	5	-	-	-	-	5	5%

Notes: (continued)

- 80,670,072 shares of Midland IC&I Limited were held by Sunluck Services Limited which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited and 434,782,608 shares of Midland IC&I Limited were held by Wealth Builder Holdings Limited ("Wealth Builder"), which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Luck Gain Holdings Limited. Mr. WONG Kin Yip, Freddie was also deemed to be interested in the 610,976,997 shares of Midland IC&I Limited indirectly held by the Company.
- Such interests in underlying shares (being physically settled unlisted derivatives) represent 434,782,608 shares of Midland IC&I Limited to be issued to Wealth Builder upon exercise in full of the conversion right attached to the convertible note due 2021 in the principal amount of HK\$200 million at the conversion price at HK\$0.46 per share issued by Midland IC&I Limited pursuant to an acquisition agreement dated 10 January 2017.
- These shares represent the shares of Midland IC&I Limited held by the spouse of Mr. WONG Tsz Wa, Pierre as beneficial owner.

Save as disclosed above, as at 30 June 2020, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this interim report, at no time during the Interim Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Other Information (continued)

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2020, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholders	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Ms. TANG Mei Lai, Metty <i>(Note 1)</i>	256,414,974 (L)	Interest of spouse/Family interest	35.71%
Southern Field Trading Limited <i>(Note 2)</i>	227,337,824 (L)	Interest of controlled corporation/ Corporate interest	31.66%
Sunluck Services Limited <i>(Note 2)</i>	227,337,824 (L)	Beneficial owner/Beneficial interest	31.66%
Sun Life Financial, Inc. <i>(Note 3)</i>	93,766,100 (L)	Interest of controlled corporations/ Corporate interest	13.06%
Sun Life of Canada (U.S.) Financial Services Holdings, Inc. <i>(Note 3)</i>	93,766,100 (L)	Interest of controlled corporations/ Corporate interest	13.06%
Massachusetts Financial Services Company <i>(Note 3)</i>	89,710,100 (L) 4,056,000 (L)	Investment manager/Other interest Interest of controlled corporations/ Corporate interest	12.49% 0.57%
Edgbaston Investment Partners LLP <i>(Note 4)</i>	49,776,000 (L)	Investment manager/Other interest	6.93%
Hosking Partners LLP <i>(Note 4)</i>	36,535,129 (L)	Investment manager/Other interest	5.09%
LAM Yuen Hing <i>(Note 4)</i>	18,456,000 (L) 17,978,000 (L)	Beneficial owner/Beneficial interest Interest of spouse/Family interest	2.57% 2.50%

Remark: (L) – Long Position

## Other Information (continued)

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

*Notes:*

1. Such interests comprise (i) 251,827,824 ordinary shares held directly and indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty; and (ii) 4,587,150 underlying shares (being physically settled unlisted derivatives) held by Mr. WONG Kin Yip, Freddie by virtue of the interests in the share options of the Company granted to him, as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" in this interim report. Accordingly, Ms. TANG Mei Lai, Metty was deemed to be interested in the same block of ordinary shares and underlying shares of the Company in which Mr. WONG Kin Yip, Freddie was interested/deemed to be interested.
2. The two references to 227,337,824 ordinary shares relate to the same block of ordinary shares of the Company deemed to be interested by Mr. WONG Kin Yip, Freddie as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this interim report. Southern Field Trading Limited was deemed to be interested in such ordinary shares of the Company held by Sunluck Services Limited.
3. Details of the interest in long position of the 93,766,100 ordinary shares in which Sun Life Financial, Inc. ("SLF") was deemed to be interested were as follows:

Massachusetts Financial Services Company ("MFS") was interested in (through itself and its 100% controlled corporations) an aggregate of 93,766,100 ordinary shares. MFS was a 95.99% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. ("SLCFS") which was a 99.92% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(USI)"). SLF(USI) was an indirect wholly-owned subsidiary of SLF.

MFS was a subsidiary of SLCFS and SLF. Accordingly, SLCFS and SLF were deemed to be interested in the same number of ordinary shares deemed to be interested by MFS.
4. Such long position includes interests in ordinary shares only.

Save as disclosed above, as at 30 June 2020, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## Other Information (continued)

### Share Option Schemes

#### I. 2002 Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 30 April 2002, the Company adopted the 2002 share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme had expired on 29 April 2012. The terms of the 2002 Share Option Scheme for those outstanding share options already granted under the 2002 Share Option Scheme remain in force.

#### II. 2016 Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 23 June 2016, the Company adopted the 2016 share option scheme (the "2016 Share Option Scheme").

Movements in the outstanding share options of the Company granted under the 2002 Share Option Scheme and the 2016 Share Option Scheme during the Interim Period were as follows:

Name	Date of grant (Note 1)	Exercise price per share HK\$	Number of share options					Balance outstanding as at 30 June 2020	Exercisable period
			Balance outstanding as at 1 January 2020 (Note 3)	Granted during the Interim Period	Lapsed during the Interim Period (Note 3)	Cancelled during the Interim Period	Exercised during the Interim Period		
<b>Directors</b>									
Mr. WONG Kin Yip, Freddie	21 July 2011	4.29	3,604,580	-	(3,604,580)	-	-	-	1 January 2012 to 31 December 2019
	17 January 2020	1.09 (Note 2)	-	4,587,150	-	-	-	4,587,150	17 January 2021 to 16 January 2028
Ms. WONG Ching Yi, Angela	27 October 2011	3.81	3,604,580	-	(3,604,580)	-	-	-	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3,604,580	-	-	-	-	3,604,580	1 October 2013 to 30 September 2021
	17 January 2020	1.09 (Note 2)	-	4,587,150	-	-	-	4,587,150	17 January 2021 to 16 January 2028
Total			10,813,740	9,174,300	(7,209,160)	-	-	12,778,880	

#### Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
- The closing price of the shares of the Company immediately before the date of grant was HK\$1.08.
- On 1 January 2020, 3,604,580 share options of the Company and 3,604,580 share options of the Company granted under the 2002 Share Option Scheme to Mr. WONG Kin Yip, Freddie and Ms. WONG Ching Yi, Angela, respectively, were lapsed.
- The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

## Other Information (continued)

### Share Option Schemes (continued)

Details of the share options granted under the 2016 Share Option Scheme is provided in note 14 to the unaudited condensed consolidated interim financial information.

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

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

### Interim Dividend

The board of Directors does not declare an interim dividend for the Interim Period (for the six months ended 30 June 2019: Nil).

### Review of Financial Statements

The audit committee of the Company has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited condensed consolidated interim financial information of the Group for the Interim Period from pages 16 to 37 in this interim report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee of the Company has also reviewed this interim report.

### Corporate Governance

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Listing Rules throughout the Interim Period.

### Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions at all applicable times during the Interim Period.



# Condensed Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Revenues	3	2,468,046	2,896,633
Other income, net	4	37,368	2,731
Staff costs		(1,204,995)	(1,403,131)
Rebate incentives		(797,473)	(827,982)
Advertising and promotion expenses		(35,607)	(25,021)
Operating lease charges in respect of office and shop premises		(26,764)	(31,015)
Amortisation of right-of-use assets (lease)		(300,149)	(319,081)
Depreciation of property and equipment		(25,215)	(25,802)
Net impairment losses on financial assets		(10,575)	(11,602)
Other operating costs		(111,492)	(136,523)
Operating (loss)/profit	5	(6,856)	119,207
Finance income		249	317
Interest on bank loans		(4,786)	(6,063)
Interest on lease liabilities		(11,868)	(13,584)
Share of results of joint ventures		7,252	11,889
Share of results of associates		(2,634)	7,097
(Loss)/profit before taxation		(18,643)	118,863
Taxation	6	(5,711)	(25,266)
(Loss)/profit for the period attributable to equity holders		(24,354)	93,597
(Loss)/earnings per share	8	HK cents	HK cents
Basic		(3.39)	13.03
Diluted		(3.39)	13.02

## Condensed Consolidated Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to equity holders	(24,354)	93,597
Other comprehensive income/(loss)		
<i>Item that will not be reclassified to profit or loss</i>		
Fair value gains on financial assets at fair value through other comprehensive income	43	–
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	127	(1,476)
Other comprehensive income/(loss) for the period, net of tax	170	(1,476)
Total comprehensive (loss)/income for the period attributable to equity holders, net of tax	(24,184)	92,121

# Condensed Consolidated Balance Sheet (Unaudited)

AS AT 30 JUNE 2020

		As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	9	143,484	144,469
Right-of-use assets		568,241	690,803
Investment properties	9	74,642	77,687
Interests in joint ventures		25,420	45,821
Interests in associates		365,705	368,339
Financial assets at fair value through other comprehensive income		4,668	4,800
Deferred tax assets		19,794	21,227
Loan receivables	10	1,497	2,698
		1,203,451	1,355,844
<b>Current assets</b>			
Trade and other receivables	11	3,225,146	2,514,757
Taxation recoverable		8,646	29,204
Loan receivables	10	116,769	115,323
Short-term bank deposits		2,250	2,260
Cash and cash equivalents		1,469,241	1,149,428
		4,822,052	3,810,972
<b>Total assets</b>		6,025,503	5,166,816

# Condensed Consolidated Balance Sheet (Unaudited) (continued)

AS AT 30 JUNE 2020

	Note	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	12	71,805	71,805
Share premium		223,505	223,505
Reserves		1,006,223	1,029,324
<b>Total equity</b>		<b>1,301,533</b>	<b>1,324,634</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		6,944	6,021
Lease liabilities		173,704	241,586
		180,648	247,607
<b>Current liabilities</b>			
Trade and other payables	13	3,154,766	2,584,713
Borrowings		924,700	489,000
Lease liabilities		459,503	517,078
Taxation payable		4,353	3,784
		4,543,322	3,594,575
<b>Total liabilities</b>		<b>4,723,970</b>	<b>3,842,182</b>
<b>Total equity and liabilities</b>		<b>6,025,503</b>	<b>5,166,816</b>

## Condensed Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total HK\$'000
At 1 January 2020	71,805	223,505	1,029,324	1,324,634
Comprehensive loss				
Loss for the period	–	–	(24,354)	(24,354)
Other comprehensive income				
Fair value gains on financial assets at fair value through other comprehensive income	–	–	43	43
Currency translation differences	–	–	127	127
Total comprehensive loss	–	–	(24,184)	(24,184)
Transaction with owners				
Employee share option scheme – value of employee services	–	–	1,083	1,083
	–	–	(23,101)	(23,101)
At 30 June 2020	71,805	223,505	1,006,223	1,301,533
At 1 January 2019	71,805	223,505	1,097,735	1,393,045
Comprehensive income				
Profit for the period	–	–	93,597	93,597
Other comprehensive loss				
Currency translation differences	–	–	(1,476)	(1,476)
Total comprehensive income	–	–	92,121	92,121
At 30 June 2019	71,805	223,505	1,189,856	1,485,166

# Condensed Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Net cash generated from operations	183,901	355,012
Hong Kong profits tax refunded/(paid)	18,603	(243)
Overseas taxation paid	(831)	(656)
Bank loan interest paid	(4,786)	(6,063)
Interest element of lease payments	(11,868)	(13,584)
	<hr/>	<hr/>
Net cash generated from operating activities	185,019	334,466
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(24,460)	(24,963)
Return of capital from financial assets at fair value through other comprehensive income	175	679
Decrease in bank deposits with maturities over three months from date of deposits	10	2,288
Bank interest received	249	317
Dividend received from a joint venture	27,653	27,528
	<hr/>	<hr/>
Net cash generated from investing activities	3,627	5,849
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
<b>Cash flows from financing activities</b>		
Principal element of lease payments	(302,940)	(320,046)
Proceeds from bank loans	2,185,000	2,869,700
Repayment of bank loans	(1,749,300)	(2,640,300)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	132,760	(90,646)
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
<b>Net increase in cash and cash equivalents</b>	321,406	249,669
Cash and cash equivalents at 1 January	1,149,428	937,706
Exchange differences	(1,593)	-
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	1,469,241	1,187,375
	<hr/>	<hr/>

# Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

## 1 General information

Midland Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together the "Group") are the provision of property agency services in Hong Kong, the People's Republic of China (the "PRC") and Macau, property leasing, immigration consultancy services and money lending services.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the board of directors (the "Board") on 28 August 2020.

## 2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared under the historical cost convention as modified by the revaluation of investment properties and financial assets at fair value through other comprehensive income, which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard ("HKASs") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new or amended HKFRSs, HKASs and Interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2020 and the following policy related to government grants.

### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 2 Basis of preparation (continued)

#### New standards, interpretation and amendments effective in 2020

The adoption of the new or revised standards, interpretation and amendments does not have a material impact to the Group's results of operations or financial position.

#### New standards, interpretation and amendments which are not yet effective

The Group has not early applied the new or revised standards and interpretations that have been issued but not yet effective. The adoption of these new or revised standards and interpretations is not expected to have a material impact on the unaudited interim results of the Group.

### 3 Revenues and segment information

#### (a) Revenues

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<b>Revenues from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
– Agency fee	2,458,553	2,887,793
– Immigration consultancy services	1,016	4,094
– Web advertising	108	108
– Other services	1,096	1,986
	<u>2,460,773</u>	<u>2,893,981</u>
<b>Revenues from other sources</b>		
– Rental income	1,691	1,296
– Interest income from loan receivables	5,582	1,356
	<u>2,468,046</u>	<u>2,896,633</u>

#### (b) Segment information

The chief operating decision makers have been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. The Executive Directors determine the operating segments based on these reports.

The Executive Directors assess the performance based on the nature of the Group's businesses comprising the property agency businesses for residential, commercial and industrial properties and shops, and other businesses which mainly include property leasing, immigration consultancy services, money lending services and mortgage referral services. The Group's businesses are principally located in Hong Kong, the PRC and Macau.



## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

## 3 Revenues and segment information (continued)

## (b) Segment information (continued)

	Six months ended 30 June 2020			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment revenues	2,434,016	24,537	13,327	2,471,880
Inter-segment revenues	–	–	(3,834)	(3,834)
Revenues from external customers	2,434,016	24,537	9,493	2,468,046
Timing of revenue recognition				
– At a point in time	2,434,016	24,537	1,096	2,459,649
– Over time	–	–	1,124	1,124
Rental income	–	–	1,691	1,691
Interest income from loan receivables	–	–	5,582	5,582
	2,434,016	24,537	9,493	2,468,046
Segment results	(31,368)	(11,604)	9,058	(33,914)
Amortisation of right-of-use assets (lease)	(298,495)	(1,654)	–	(300,149)
Depreciation of property and equipment	(24,201)	(419)	(363)	(24,983)
Net impairment losses on financial assets	(10,153)	(422)	–	(10,575)
Share of results of joint ventures	–	–	7,252	7,252
Share of results of associates	–	(2,634)	–	(2,634)
Fair value losses on investment properties	–	–	(2,719)	(2,719)
Additions to property and equipment	24,055	325	80	24,460

For the purpose of segmental information analysis, expenditures incurred for leases are not regarded as capital expenditures.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 3 Revenues and segment information (continued)

#### (b) Segment information (continued)

	Six months ended 30 June 2019			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment revenues	2,836,868	50,925	12,671	2,900,464
Inter-segment revenues	–	–	(3,831)	(3,831)
Revenues from external customers	2,836,868	50,925	8,840	2,896,633
Timing of revenue recognition				
– At a point in time	2,836,868	50,925	1,986	2,889,779
– Over time	–	–	4,202	4,202
Rental income	–	–	1,296	1,296
Interest income from loan receivables	–	–	1,356	1,356
	2,836,868	50,925	8,840	2,896,633
Segment results	129,420	5,403	15,929	150,752
Amortisation of right-of-use asset (lease)	(317,149)	(1,828)	(104)	(319,081)
Depreciation of property and equipment	(24,918)	(306)	(345)	(25,569)
Net impairment losses on financial assets	(11,348)	(254)	–	(11,602)
Share of results of joint ventures	–	–	11,889	11,889
Share of results of associates	–	7,097	–	7,097
Fair value losses on investment properties	–	–	(131)	(131)
Additions to property and equipment	24,690	270	3	24,963

Note: The share of results and interests in joint ventures mainly represent the financial information of mReferral Corporation Limited and its subsidiaries.

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, government subsidy, finance income, interest on bank loans 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 condensed consolidated income statement.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**3 Revenues and segment information (continued)****(b) Segment information (continued)**

A reconciliation of segment results to (loss)/profit before taxation is provided as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Segment results for reportable segments	(33,914)	150,752
Corporate expenses	(18,146)	(26,143)
Government subsidy	37,954	–
Finance income	249	317
Interest on bank loans	(4,786)	(6,063)
	<u>(18,643)</u>	<u>118,863</u>
(Loss)/profit before taxation per condensed consolidated income statement	(18,643)	118,863

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and financial assets at fair value through other comprehensive income, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reporting segments:

	As at 30 June 2020			
	Property agency			Total
	Residential properties	Commercial and industrial properties and shops	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>4,840,307</u>	<u>405,628</u>	<u>239,950</u>	<u>5,485,885</u>
Segment assets include:				
Interests in joint ventures	–	–	25,420	25,420
Interests in associates	–	365,705	–	365,705
	<u>–</u>	<u>365,705</u>	<u>–</u>	<u>365,705</u>
Segment liabilities	<u>3,657,598</u>	<u>39,486</u>	<u>23,084</u>	<u>3,720,168</u>

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 3 Revenues and segment information (continued)

#### (b) Segment information (continued)

	As at 31 December 2019			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	4,038,552	415,145	262,420	4,716,117
Segment assets include:				
Interests in joint ventures	–	–	45,821	45,821
Interests in associates	–	368,339	–	368,339
Segment liabilities	3,274,774	45,813	21,418	3,342,005

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Segment assets	5,485,885	4,716,117
Corporate assets	515,156	424,672
Deferred tax assets	19,794	21,227
Financial assets at fair value through other comprehensive income	4,668	4,800
Total assets per condensed consolidated balance sheet	6,025,503	5,166,816

## Notes to the Condensed Consolidated 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 2020 HK\$'000	As at 31 December 2019 HK\$'000
Segment liabilities	3,720,168	3,342,005
Corporate liabilities	996,858	494,156
Deferred tax liabilities	6,944	6,021
Total liabilities per condensed consolidated balance sheet	<u>4,723,970</u>	<u>3,842,182</u>

Geographical information:

	Six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Revenues from external customers		
Hong Kong and Macau	2,174,093	2,447,729
PRC	293,953	448,904
	<u>2,468,046</u>	<u>2,896,633</u>

Revenues are attributed to the locations where the transactions took place.

**4 Other income, net**

	Six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Fair value losses on investment properties	(2,719)	(131)
Government subsidy	37,954	–
Others	2,133	2,862
	<u>37,368</u>	<u>2,731</u>

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 5 Operating (loss)/profit

Operating (loss)/profit is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Direct operating expenses arising from investment properties that:		
– generated rental income	84	149
– did not generate rental income	16	16
Office and branch operating expenses (remark)	55,470	68,429
Government rent and rates, building management fee of leased properties	23,579	23,939
Legal and professional fees	3,969	4,816
Staff recruitment, training and welfare	4,548	6,253
Bank charges	10,268	11,835
Loss on disposal of property and equipment	77	1
Net foreign exchange losses	32	17
Auditor's remuneration		
– audit services	1,564	1,564
– interim results review	573	573
	<u>573</u>	<u>573</u>

Remark: Office and branch operating expenses including utilities expenses, communication expenses, printing and stationary, transportation, licence fee and repair and maintenance.

### 6 Taxation

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	3,303	19,512
– Overseas	52	35
Deferred taxation	2,356	5,719
	<u>5,711</u>	<u>25,266</u>

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2019: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**7 Interim dividend**

The Board does not declare an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

**8 (Loss)/earnings per share**

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit attributable to equity holders for the calculation of basic (loss)/earnings per share	(24,354)	93,597
Adjustment on the effect of dilutive events of associates	–	(77)
(Loss)/profit attributable to equity holders for the calculation of diluted (loss)/earnings per share	(24,354)	93,520
Number of shares for the calculation of basic and diluted (loss)/earnings per share (thousands)	718,046	718,046
Basic (loss)/earnings per share (HK cents)	(3.39)	13.03
Diluted (loss)/earnings per share (HK cents)	(3.39)	13.02

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

For the six months ended 30 June 2020, the diluted loss per share is the same as the basic loss per share as the exercise of share options of the Company and the convertible note issued by its associates would have an anti-dilutive effect.

In calculating the diluted earnings per share for the six months ended 30 June 2019, adjustment has been made to reflect the dilutive impact in respect of the exercise of the convertible note issued by its associates. The weighted average number of shares has not been adjusted as the exercise of the Company's share options have an anti-dilutive effect and the exercise of the convertible note of the associates do not affect the number of shares of the Company.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 9 Property and equipment and investment properties

Land and buildings with net book value of HK\$57,912,000 (as at 31 December 2019: HK\$58,465,000) and investment properties with net book value of HK\$59,147,000 (as at 31 December 2019: HK\$61,353,000) were pledged as securities for the Group's banking facilities.

The valuations of the investment properties were undertaken by Midland Surveyors Limited, a qualified professional surveyor under the Group with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties in Hong Kong and the PRC are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations.

As at 30 June 2020 and 31 December 2019, all investment properties are included in level 3 in the fair value hierarchy.

The Group's policy is to recognize transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer. There were no changes to the valuation techniques and transfers among the fair value hierarchy during the period.

Information about fair value measurements using significant unobservable inputs:

Location of investment properties	Fair value HK\$'000	Range of significant unobservable inputs	
		Prevailing market rent per month	Capitalisation rate
Hong Kong	46,180	HK\$37 to HK\$112 per sq. ft. (saleable) (31 December 2019: HK\$39 to HK\$100 per sq. ft. (saleable))	3.20% to 4.10% (31 December 2019: 3.00% to 4.20%)
The PRC	28,462	RMB181 to RMB1,810 per sq. m. (gross) (31 December 2019: RMB180 to RMB1,850 per sq. m. (gross))	5.80% to 6.00% (31 December 2019: 5.50% to 6.00%)
Total	<u>74,642</u>		

Prevailing market rents are estimated based on qualified valuer's view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates are estimated by qualified valuer based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.



## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**10 Loan receivables**

A maturity profile of the loan receivables as at the end of the reporting periods, based on the maturity date and net of provision, is as follows:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Current	116,769	115,323
Over 1 year but less than 3 years	1,497	2,698
	<u>118,266</u>	<u>118,021</u>

**11 Trade and other receivables**

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Trade receivables	2,970,468	2,242,521
Less: loss allowance	(104,348)	(96,909)
Trade receivables, net	2,866,120	2,145,612
Other receivables, prepayments and deposits	359,026	369,145
	<u>3,225,146</u>	<u>2,514,757</u>

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 11 Trade and other receivables (continued)

Trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon completion of or pursuant to the terms and conditions of the relevant agreements. The aging analysis of the trade receivables is as follows:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Current (not yet due)	2,772,805	2,066,100
Less than 30 days past due	50,463	43,826
31 to 60 days past due	26,850	17,929
61 to 90 days past due	6,184	6,673
More than 90 days past due	9,818	11,084
	<u>2,866,120</u>	<u>2,145,612</u>

The Group's trade and other receivables are mainly denominated in Hong Kong dollars and Renminbi.

Borrowing facilities granted to the Group were secured, inter alia, by floating charge over certain receivables of the Group, with carrying value of approximately HK\$2,610,909,000 as at 30 June 2020 (as at 31 December 2019: HK\$1,917,269,000).

### 12 Share capital

	Number of issued shares (HK\$0.10 each)	Nominal value HK\$'000
As at 31 December 2019 and 30 June 2020	<u>718,046,005</u>	<u>71,805</u>

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**13 Trade and other payables**

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Commissions and rebate payables	2,534,109	2,127,721
Other payables and accruals	620,657	456,992
	<u>3,154,766</u>	<u>2,584,713</u>

Commissions and rebate payables to property consultants, co-operative estate agents and property buyers are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK\$260,253,000 (as at 31 December 2019: HK\$371,064,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period end. All the remaining commissions and rebate payables are not yet due.

The management considers the balance of contract liabilities arising from immigration consultancy services is not material to the Group and hence not presented as a separate line item in the financial statements.

The Group's trade and other payables are mainly denominated in Hong Kong dollars and Renminbi.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) *(continued)*

### 14 Share-based benefits

In January 2020, 9,174,300 share options were granted to certain directors of the Company under the Company's share option scheme (no share options were granted during the six months ended 30 June 2019). Each option gives the holder the right to subscribe for one ordinary share of the Company. A consideration of HK\$1 from each of the grantees was received.

The fair value of each share option granted was estimated on the date of grant using the Binomial Model with the following assumptions:

Share price at date of grant	:	HK\$1.09
Exercise price	:	HK\$1.09
Option life	:	8 years
Expected volatility	:	33.77%
Expected dividend yield	:	0.48%
Risk-free rate	:	1.544%
Exercise multiple	:	2.8x

The expected volatility measured by using the historical volatility of the Company over the most recent period commensurate with the expected life of the share options.

Based on the above assumptions, the estimated fair value of each share option was HK\$0.2512. Any changes in the parameters may materially affect the estimation of the fair value of a share option.

For the six months ended 30 June 2020, the Group has recognised share-based payment expenses of HK\$1,083,000 in the condensed consolidated income statement (for the six months ended 30 June 2019: nil).

### 15 Capital commitments

The Group did not have any significant capital commitments as at 30 June 2020 and 31 December 2019.

### 16 Contingent liabilities

As at 30 June 2020, the Company executed corporate guarantees of HK\$2,751,945,000 (as at 31 December 2019: HK\$2,752,556,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2020, banking facilities of HK\$970,559,000 were utilised by these subsidiaries (as at 31 December 2019: HK\$528,899,000).

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**17 Significant related party transactions**

The Group had the following significant transactions with related parties during the period and balances with related parties at the balance sheet date:

**(a) Transactions with related parties**

	Note	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
Agency fee income from associates	(i)	15,550	57,248
Rebate incentives to associates	(ii)	(9,482)	(12,925)

Notes:

- (i) Agency fee income from associates represents agency fee for property agency transactions referred to associates on terms mutually agreed by both parties.
- (ii) Rebate incentives to associates represents rebate incentives for property agency transactions referred by associates on terms mutually agreed by both parties.

The Group shared administrative and corporate services fee with its associates on a cost basis. During the six months ended 30 June 2020, the expenses shared by the associates amounted to HK\$5,296,000 (for the six months ended 30 June 2019: HK\$4,174,000).

- (b) During the six months ended 30 June 2020, the Group entered into an operating lease agreement with an associate on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK\$2,499,000 at the commencement date of the lease.

During the six months ended 30 June 2020, lease payments to an associate under certain operating lease agreements was HK\$1,259,000 (for the six months ended 30 June 2019: HK\$1,242,000).

- (c) During the six months ended 30 June 2020, the Group entered into an operating lease agreement with a related company, owned by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), who is the director of the Company and the father of Ms. WONG Ching Yi, Angela, a director of the Company, on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK\$1,054,000 at the commencement date of the lease.

During the six months ended 30 June 2020, lease payments to certain related companies owned by Mr. WONG under certain operating lease agreements was HK\$2,680,000 (for the six months ended 30 June 2019: HK\$2,462,000).

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 17 Significant related party transactions (continued)

- (d) The balances with related parties included in trade receivables, trade payables and lease liabilities are as follows:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Trade receivables		
Amounts due from associates	25,588	30,294
Trade payables		
Amounts due to associates	(18,048)	(15,915)
Lease liabilities		
Amounts due to associates	(1,799)	(413)
Amounts due to related companies	(1,837)	(3,365)
	<u>                    </u>	<u>                    </u>

- (e) Key management compensation

	Six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Fees, salaries, allowances and incentives	12,984	20,331
Share-based benefits	1,083	–
Retirement benefit costs	27	27
	<u>                    </u>	<u>                    </u>
	<u>14,094</u>	<u>20,358</u>

The amount represents emoluments paid or payable to the Executive Directors for the period.

## Additional Financial Information in Relation to the Annual Report for the Year Ended 31 December 2019

In addition to the information disclosed in the 2019 Annual Report, the Board would like to provide further information in respect of Note 12 operating (loss)/profit of the Group as disclosed on page 115 of the 2019 Annual Report together with the comparative figures of 2018.

### Operating (loss)/profit

Operating (loss)/profit is arrived at after charging:

	2019 HK\$'000	2018 HK\$'000
Direct operating expenses arising from investment properties that:		
– generated rental income	306	307
– did not generate rental income	32	119
Office and branch operating expenses (remark)	136,460	133,032
Government rent and rates, building management fee of leased properties	49,206	45,769
Legal and professional fees	11,273	8,375
Staff recruitment, training and welfare	15,065	18,291
Insurance expenses	12,473	13,654
Bank charges	21,030	18,007
Impairment loss on right-of-use assets	4,334	–
Loss on disposal of property and equipment	353	768
Net foreign exchange losses	590	2,682
Auditor's remuneration		
– audit services	3,127	3,259
– interim results review	573	573

Remark: Office and branch operating expenses including utilities expenses, communication expenses, printing and stationary, transportation, licence fee and repair and maintenance.