



TOGETHER,
WE BUILD THE FUTURE

INTERIM REPORT 2014




美聯集團
MIDLAND HOLDINGS
Midland Holdings Limited
Incorporated in Bermuda with limited liability
(Stock Code 股份代號: 1200)

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Corporate Information

DIRECTORS

Non-executive Director

Mr. WONG Kin Yip, Freddie (*Chairman*)

Executive Directors

Ms. TANG Mei Lai, Metty

Ms. WONG Ching Yi, Angela

(*Deputy Chairman and Deputy Managing Director*)

Mr. WONG Tsz Wa, Pierre (*Managing Director*)

Ms. IP Kit Yee, Kitty

Mr. CHEUNG Kam Shing

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. CHAN Nim Leung, Leon

Mr. WONG San

Non-executive Director

Mr. KAN Chung Nin, Tony

AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis (*Committee Chairman*)

Mr. SUN Tak Chiu

Mr. CHAN Nim Leung, Leon

Mr. WONG San

Mr. KAN Chung Nin, Tony

REMUNERATION COMMITTEE

Mr. SUN Tak Chiu (*Committee Chairman*)

Mr. WONG Kin Yip, Freddie

Ms. WONG Ching Yi, Angela

Mr. KOO Fook Sun, Louis

Mr. CHAN Nim Leung, Leon

Mr. WONG San

Mr. KAN Chung Nin, Tony

NOMINATION COMMITTEE

Mr. KOO Fook Sun, Louis (*Committee Chairman*)

Mr. WONG Kin Yip, Freddie

Ms. WONG Ching Yi, Angela

Mr. SUN Tak Chiu

Mr. CHAN Nim Leung, Leon

Mr. WONG San

Mr. KAN Chung Nin, Tony

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela

Ms. IP Kit Yee, Kitty

REGISTERED OFFICE

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Bermuda

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Hong Kong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

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PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd. Hong Kong Branch

Chong Hing Bank Limited

DBS Bank (Hong Kong) Limited

Fubon Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Wing Hang Bank, Limited

HONG KONG LEGAL ADVISER

lu, Lai & Li

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BERMUDA LEGAL ADVISER

Conyers Dill & Pearman

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

The Belvedere Building

69 Pitts Bay Road

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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited

Level 22, Hopewell Centre

183 Queen's Road East

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WEBSITE

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STOCK CODE

1200

Chairman's Statement

Business Review

The financial results of Midland Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") improved in the first half of the year. For the six months ended 30 June 2014 (the "Interim Period"), the Group recorded a loss attributable to equity holders of HK\$35,782,000, down 62.4% from the corresponding period in 2013. The reduction in loss is primarily due to the following factors: (1) primary residential sales transactions in Hong Kong posted an appreciable increase during the first half of 2014; (2) Midland Realty has strengthened its market position in the primary residential market in Hong Kong; and (3) the Group has stepped up its efforts in the implementation of cost control programs.

According to the figures from Land Registry, the value and volume of property sales registrations in Hong Kong recorded a year-on-year decline of 14.1% and 12.5% respectively during the reporting period. However, the Group's revenue rose 8.4% over the same period of time. This increase in revenue is mainly attributed to the revival of the local primary residential sector. All the above also helped turn the results of Midland Realty (operating as "美聯物業") from loss making to profit making. The sector's solid performance in the second half of last year, primary residential sales have heated up further since May 2014 as the government fine-tuned its housing policies. The primary residential sector outperformed the overall property market by posting a significant year-on-year growth in both number and value of property sales registrations in the first six months of 2014.

Slowdown in the China property market affected the Group's revenue from Mainland during the period under review. One point worth mentioning is that our Mainland operation has long pursued a focus-strategy which limits our presence in most of the second- and third-tier cities, thereby mitigating the volatility of our Mainland business.

Outlook

It is expected that the business environment is not likely to deteriorate but will remain challenging in the second half of 2014. To deal with the market challenges and to strengthen its market position, the Group will focus its efforts on implementing the strategic initiatives as outlined in its three-year plan formulated at the end of 2013.

Local primary home market is expected to perform well

The government's housing policies are still one of the significant factors affecting the property market in Hong Kong. In May 2014, the government made adjustments to the doubled ad valorem stamp duty measures, relaxing the timeframe for owners having acquired a new residential property before disposing of their original one. These adjustments, together with the cash rebates and incentives offered by developers, have invigorated the sales of new residential units. In our view, new home supply is on the rise and the primary residential market will continue to outperform.

Meanwhile, secondary residential sales activity is expected to remain lackluster. Undoubtedly, the sentiment in the secondary home market has improved remarkably since the second quarter. However, the sharp growth in sales activity is mainly coming from a low base. Indeed, the volume of secondary home sales registrations in the first six months of this year is 10.9% and 44.2% lower than that in the same period of 2013 and in 2012, respectively. The major reason for inactivity in this sector is that individual homeowners are not willing to sell. As long as tightening measures are in place and interest rates are low, it is unlikely that transaction activity in the secondary home sector will return to normal level in the near future.

Chairman's Statement *(continued)*

Outlook *(continued)*

Capturing opportunities arising from changing market dynamics

Clearly, property prices have recently resumed an upward trend. However, the increase seen so far this year has not been as marked as what was seen in the period before the implementation of the doubled ad valorem stamp duty. Since the price difference between new projects and secondary housing estates has narrowed, it is anticipated that the increase in prices will further taper off. Stabilization of property prices may help to lower the risk of further policy tightening.

End-user demand remains strong at the medium-to-low end of the market, and new projects in this segment will benefit the most from the low interest rate and stable policy environments. Undoubtedly, the low interest rate environment will not last forever and the Federal Reserve has been reducing the amount of asset purchases. The general market consensus is that any increases in interest rates will likely be very modest and rates are likely to remain at a low level for quite some time. In the first half of the year, our primary market-focused strategy paid off and we will continue to pursue it in the second half of the year.

The luxury market underperformed in the first half, but it is likely to improve in the final quarter of this year when the Shanghai-Hong Kong Stock Connect is expected to be launched. This program will link the stock markets in Shanghai and Hong Kong, boosting the overall sentiment in both stock markets. The traditional wisdom is that luxury residential, industrial, commercial and shop sectors will perform well amid solid stock market performance. The Group will keep a close eye on any business opportunities arising from the linkage of the two stock markets.

China's economy is in healthy shape despite moderate GDP growth. However, the Mainland property market has been losing steam, and it is anticipated that the excess supply built up in second-tier and third-tier cities will take some time to clear. On the other hand, the property markets in first-tier cities such as Shenzhen are likely to outperform. This development fits with our focus strategy in mainland China.

In the property agency industry, competition has reached the stage of survival of the strongest, and is expected to remain fierce for a period of time. The Group will continue to endeavor to control the costs in view of such challenging conditions. However, as the growth of Mainland tourists' spending slows, the retail property sector also enters into consolidation. In recent months, rents in prime shopping districts have fallen moderately, and rents for shops in other areas may follow suit. When this happens, the Group may be able to negotiate more favorable terms upon renewal.

On 15 August 2014, the Company held a special general meeting ("SGM") as requisitioned by two shareholders. The board of directors of the Company (the "Board") was of the view that all requisitioned resolutions were not in the interests of the Company and its shareholders as a whole and therefore recommended the shareholders to vote against all requisitioned resolutions. In line with the voting recommendation of the Board, at the SGM, all the requisitioned resolutions were voted down by majority votes and none of the requisitioned resolutions were carried.

A United Team

With the Group's improved financial performance in the first half of the year, the management team will endeavor to deliver satisfactory results to our shareholders in the second half. Over the past few months, the Board and the management have dealt with various forms of challenges.

As the founder and Chairman, I have worked closely with my colleagues on the Board to enhance the efficiency of the Group. The challenges have united our Board and staff. I am thankful to the shareholders, customers and staff who have provided their support.

WONG Kin Yip, Freddie
Chairman

Hong Kong, 26 August 2014

Strategic Review and Planning

The business environment was still challenging in the first half of 2014. However, the Group managed to improve its financial performance during the reporting period.

The Group, unlike many local small agencies, has access to the sales of new homes and therefore has developed a strong presence in the primary residential sector. The Group has slightly reduced the number of branch outlets in Hong Kong during the reporting period and continued to build up its sales force, with local staff levels rising slightly to deal with the increase in sales of new homes, resulting in a more adjustable cost structure. A strong sales operation is essential to the Group as there is considerable supply of new homes in the market. Along with increasing the size of the Group's sales force in Hong Kong, Midland Realty also strived hard to enhance the productivity of its team through measures such as ensuring that its commission scheme offers sufficient incentive for frontline staff.

Moreover, the Group implemented a series of initiatives introduced by me to further strengthen its market position in the primary residential sector in Hong Kong. The initiatives included the restructuring of the Group's local residential division's sales management team, improvement of commission scheme, the launching of short term incentive programs, and the implementation of further costs control. The initiatives have had positive results, with Midland Realty recognized by developers as the best-selling agent in the primary project City Point Phase I. Also, in the sales of Mount One, Midland Realty was awarded "Highest Transaction Volume" from developer. Midland Realty showed significant improvements in the sales of major primary projects as compared with 2013.

Since sales activity in the market entered into a consolidation phase at the beginning of 2013, the Group has continuously reviewed its cost structure with the aim of controlling its operating costs. Undeniably, the estate agency industry is still highly competitive and the long-awaited industrial contraction has not yet taken place. However, the Group's primary market-focused strategy has reduced the dependence of its local operation on branch network and, as such, the Group has slightly reduced the number of branch outlets in Hong Kong during the reporting period. In the meantime, the number of branches in mainland China has declined as well. As a consequence of the reduction in branch outlets, during the reporting period, the rental expenditures of the Group dropped 2.6% year-on-year.

In the future, the Group will focus its efforts on implementing the strategic initiatives as outlined in its three-year plan. Further business initiatives will be led by me to improve the operating efficiency of the Group to enhance medium and long term profitability, and such initiatives include:

1. Strengthening of the IT database and applications in order to sharpen sales and marketing tools, streamline work flows and improve operation logistics;
2. Enhancing customer services, especially before and after sales services in order to improve client experience;
3. Reviving staff motivation and talent retention programs for coping with a younger and energetic generation of sales force;
4. Developing an objective and standardized measurement basis for evaluating the performance of the sales team; and
5. Devising short-term commission and incentive schemes to align the focus of the sales force with the changes and needs of the market.

Under the leadership of the Chairman, I shall continue to work closely with Mr. WONG Tsz Wa, Pierre, the Managing Director, and the other management of the Group to implement those initiatives.

Strategic Review and Planning *(continued)*

Appreciation

I would like to take this opportunity to express my gratitude to the staff who showed determination, dedication and commitment in overcoming various challenges presented to the Group.

WONG Ching Yi, Angela
Deputy Chairman

Hong Kong, 26 August 2014

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 and other parties.

As at 30 June 2014, the Group had cash and bank balances of HK\$1,379,182,000 (as at 31 December 2013: HK\$1,434,300,000). As at 30 June 2014, the interest-bearing bank and other borrowings of the Group amounted to HK\$422,576,000 (as at 31 December 2013: HK\$424,011,000) with maturity profile set out as follows:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Repayable		
Within 1 year	413,922	414,894
After 1 year but within 2 years	938	930
After 2 years but within 5 years	2,923	2,895
Over 5 years	4,793	5,292
	<u>422,576</u>	<u>424,011</u>

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 28.23% (as at 31 December 2013: 27.76%). 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 1.6 (as at 31 December 2013: 1.7).

With the implementation of the Residential Properties (First-hand Sales) Ordinance in April 2013, there is a change in the market practice for the sales arrangement for first hand residential properties which in turn increases the short term funding requirement of the Group. During the period under review, the Group successfully secured new loan facilities to cope with the market change.

As at 30 June 2014, the Group has unutilised borrowing facilities amounting to approximately HK\$397,000,000 (as at 31 December 2013: HK\$95,795,000) from various banks and other parties. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company (the "Directors") will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

Management Discussion and Analysis (continued)

Financial Review (continued)

Liquidity and Financial Resources (continued)

As at 30 June 2014, certain land and buildings and investment properties held by the Group of HK\$91,427,000 (as at 31 December 2013: HK\$71,740,000) and HK\$56,330,000 (as at 31 December 2013: HK\$1,000,000) were pledged to secure banking facilities granted to the Group. As at 30 June 2014, bank deposit of HK\$3,400,000 (as at 31 December 2013: nil) was pledged to secure general banking facilities granted to the Group.

The Group's cash and bank balances are deposited 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 were primarily denominated in Renminbi. Since it is expected that there shall not be sharp depreciation of Renminbi against Hong Kong Dollar in near future, 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 2014, the Company executed corporate guarantee as part of the securities for general banking and other loan facilities of HK\$642,700,000 granted to certain wholly-owned subsidiaries (as at 31 December 2013: HK\$542,700,000). As at 30 June 2014, HK\$223,547,000 of the banking facilities were utilised by the subsidiaries (as at 31 December 2013: HK\$425,701,000).

The Group has been involved in certain claims/litigations in respect of property agency services. After seeking appropriate legal advice, the Directors are of the opinion that either no provision is required or that adequate provision has been made in the financial statements to cover any potential liabilities.

Employee Information

As at 30 June 2014, the Group employed 8,733 full time employees of which 7,581 were sales agents, 528 were back office supportive employees and 624 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 2014, 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 under section 352 of the SFO, or as otherwise 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"), were as follows:

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

Name of Director	Number of shares			Number of underlying shares		Total	Approximate percentage of issued share capital of the Company
	Personal interests/Beneficial owner	Corporate interests/Interest of controlled corporation	Family interests/Interest of spouse	Personal interests/Beneficial owner	Family interests/Interest of spouse		
Mr. WONG Kin Yip, Freddie	24,490,000	161,340,144 (Note 1)	–	7,209,160 (Note 2)	7,209,160 (Note 3)	200,248,464	27.89%
Ms. TANG Mei Lai, Metty	–	–	185,830,144 (Note 4)	7,209,160 (Note 5)	7,209,160 (Note 6)	200,248,464	27.89%
Ms. WONG Ching Yi, Angela	–	–	–	7,209,160 (Note 7)	–	7,209,160	1.00%
Mr. KOO Fook Sun, Louis	–	–	–	150,000 (Note 8)	–	150,000	0.02%
Mr. SUN Tak Chiu	–	–	–	150,000 (Note 9)	–	150,000	0.02%

Other Information *(continued)*

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

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

Notes:

1. These shares are held by Sunluck Services Limited. Mr. WONG Kin Yip, Freddie ("Mr. WONG") indirectly owns 100% interests in Sunluck Services Limited through his wholly-owned company, namely Southern Field Trading Limited.
2. These underlying shares are held by Mr. WONG by virtue of the interests in the share options of the Company granted to him.
3. These underlying shares represent the interests in the share options of the Company held by Ms. TANG Mei Lai, Metty ("Ms. TANG"), the spouse of Mr. WONG, by virtue of the interests in the share options of the Company granted to her.
4. These shares represent the shares held directly or indirectly by Mr. WONG, the spouse of Ms. TANG, as ultimate beneficial owner.
5. These underlying shares are held by Ms. TANG by virtue of the interests in the share options of the Company granted to her.
6. These underlying shares represent the interests in the share options of the Company held by Mr. WONG, the spouse of Ms. TANG, by virtue of the interests in the share options of the Company granted to him.
7. These underlying shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options of the Company granted to her.
8. These underlying shares are held by Mr. KOO Fook Sun, Louis by virtue of the interests in the share options of the Company granted to him.
9. These underlying shares are held by Mr. SUN Tak Chiu by virtue of the interests in the share options of the Company granted to him.
10. Details of the share options granted to the above Directors are set out in the section headed "Share Option Schemes".

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 corporation of the Company

Name of associated corporation	Name of Director	Number of shares		Total	Approximate percentage of issued share capital of Midland IC&I
		Personal interests/ Beneficial owner	Family interests/ Interest of spouse		
Midland IC&I Limited ("Midland IC&I")	Mr. WONG Tsz Wa, Pierre	2,000,000	1,320,000 (Note 11)	3,320,000	0.02%

Note:

11. These shares of Midland IC&I represent the shares held by Ms. LAM Mee Yuk, the spouse of Mr. WONG Tsz Wa, Pierre, as beneficial owner.

Save as disclosed above, as at 30 June 2014, 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 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 herein, 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' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, the interests and short positions of the persons, other than the Directors or chief executive of the Company as disclosed above, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Number of shares	Holding capacity/ Nature of interests	Approximate percentage of issued share capital of the Company
Southern Field Trading Limited (Note 1)	161,340,144 (L)	Interest in controlled corporation/ Corporate interest	22.47%
Sunluck Services Limited (Note 1)	161,340,144 (L)	Beneficial owner/Beneficial interest	22.47%
Apex Benchmark Limited	75,666,000 (L)	Beneficial owner/Beneficial interest	10.54%
Edgbaston Investment Partners Limited	43,322,000 (L)	Investment manager/Other interest	6.03%
UBS AG (Note 2)	7,111,844 (L)	Beneficial owner/Beneficial interest	0.99%
	8,196,000 (L)	Security interest/Other interest	1.14%
	24,770,000 (L)	Interest in controlled corporation/ Corporate interest	3.45%
	4,035,548 (S)	Beneficial owner/Beneficial interest	0.56%
	24,272,000 (S)	Interest in controlled corporation/ Corporate interest	3.38%

Remark: (L) – Long Position, (S) – Short Position

Notes:

- The two references to 161,340,144 shares relate to the same block of shares of the Company as disclosed under Mr. WONG in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".
- The interest of UBS AG includes derivative interest in 530,000 shares of the Company (being long position and unlisted physically settled derivatives).

Save as disclosed above, as at 30 June 2014, no other 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 under section 336 of the SFO.

Other Information (continued)

Share Option Schemes

I. Share Option Scheme of the Company

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 share option scheme (the "Share Option Scheme"). The Share Option Scheme had expired on 29 April 2012. The terms of the Share Option Scheme for those outstanding share options already granted under the Share Option Scheme remain in force.

Movements in the outstanding share options granted under the Share Option Scheme during the Interim Period were as follows:

Name of Director	Date of grant	Exercise price per share (HK\$)	Number of share options				Balance outstanding as at 30 June 2014	Exercisable period
			Balance outstanding as at 1 January 2014	Granted during the Interim Period	Cancelled/lapsed during the Interim Period	Exercised during the Interim Period		
Mr. WONG Kin Yip, Freddie	21 July 2011	4.29	3,604,580	-	-	-	3,604,580	1 August 2011 to 31 July 2019
	21 July 2011	4.29	3,604,580	-	-	-	3,604,580	1 January 2012 to 31 December 2019
Ms. TANG Mei Lai, Melty	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
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
Mr. KOO Fook Sun, Louis	21 July 2011	4.29	150,000	-	-	-	150,000	1 August 2011 to 31 July 2019
Mr. SUN Tak Chiu	21 July 2011	4.29	150,000	-	-	-	150,000	1 August 2011 to 31 July 2019
Total			21,927,480	-	-	-	21,927,480	

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the Interim Period.

Other Information (continued)

Share Option Schemes (continued)

II. Share Option Scheme of Midland IC&I

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

Movements in the outstanding share options granted under the Midland IC&I Share Option Scheme during the Interim Period were as follows:

Name of director of Midland IC&I	Date of grant	Exercise price per share (HK\$)	Number of share options				Balance outstanding as at 30 June 2014	Exercisable period
			Balance outstanding as at 1 January 2014	Granted during the Interim Period	Cancelled/ lapsed during the Interim Period	Exercised during the Interim Period		
Mr. TSANG Link Carl, Brian	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. YING Wing Cheung, William	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. SHA Pau, Eric	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. HO Kwan Tat, Ted	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Total			20,000,000	-	-	-	20,000,000	

Save as disclosed above, no share options were granted, exercised, cancelled or lapsed under the Midland IC&I Share Option Scheme during 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.

Other Information (continued)

Interim Dividend

The Board does not declare an interim dividend for the Interim Period (2013: Nil).

Review of Financial Statements

The audit committee of the Company (the "Audit Committee") comprises four Independent Non-executive Directors and one Non-executive Director with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has also reviewed this interim report.

Change in Directors' Information

Changes in Directors' information since the disclosure made in the 2013 annual report of the Company, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr. KAN Chung Nin, Tony has been re-designated as the Senior Consultant of Tony Kan & Co., Solicitors & Notaries in April 2014.
2. Mr. CHEUNG Kam Shing is now responsible for the strategic development and daily operation of the Group's China division "Midland China" and Macau division "Midland Macau" following re-designation of his duties. Accordingly, the responsible business units for calculation of his monthly profit sharing incentive have been changed with effect from 1 June 2014.

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 throughout the Interim Period.

Condensed Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Revenues	3	1,869,342	1,723,761
Other income	4	1,656	5,767
Staff costs		(1,024,430)	(1,026,631)
Rebate incentives		(311,361)	(170,671)
Advertising and promotion expenses		(43,714)	(60,838)
Operating lease charges in respect of office and shop premises		(296,307)	(304,338)
Impairment of receivables		(43,396)	(93,968)
Depreciation and amortisation costs		(29,741)	(27,847)
Other operating costs		(138,551)	(155,761)
Operating loss	5	(16,502)	(110,526)
Finance income		1,687	3,189
Finance costs		(10,379)	(106)
Share of results of joint ventures		4,696	2,817
Loss before taxation		(20,498)	(104,626)
Taxation	6	(12,055)	15,898
Loss for the period		(32,553)	(88,728)
(Loss)/profit attributable to:			
Equity holders		(35,782)	(95,175)
Non-controlling interests		3,229	6,447
		(32,553)	(88,728)
Loss per share	8	HK cents	HK cents
Basic		(4.98)	(13.25)
Diluted		(4.98)	(13.25)

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period	(32,553)	(88,728)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	1,378	(662)
Change in fair value of available-for-sale financial assets	538	(551)
	1,916	(1,213)
Total comprehensive loss for the period, net of tax	(30,637)	(89,941)
Total comprehensive (loss)/income for the period attributable to:		
Equity holders	(33,866)	(96,393)
Non-controlling interests	3,229	6,452
	(30,637)	(89,941)

Condensed Consolidated Balance Sheet (Unaudited)

AS AT 30 JUNE 2014

	Note	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	167,085	189,606
Investment properties	9	85,193	86,049
Land use rights		1,353	1,407
Interests in joint ventures		56,507	56,431
Available-for-sale financial assets		14,456	15,071
Deferred taxation assets		30,221	35,920
		<u>354,815</u>	<u>384,484</u>
Current assets			
Trade and other receivables	10	1,681,236	1,450,795
Taxation recoverable		1,541	3,627
Cash and bank balances		1,375,782	1,434,300
Pledged bank deposit		3,400	–
		<u>3,061,959</u>	<u>2,888,722</u>
Total assets		<u>3,416,774</u>	<u>3,273,206</u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital	11	71,805	71,805
Share premium		223,505	223,505
Reserves		1,008,724	1,042,590
		<u>1,304,034</u>	<u>1,337,900</u>
Non-controlling interests		<u>192,877</u>	<u>189,648</u>
Total equity		<u>1,496,911</u>	<u>1,527,548</u>
Non-current liabilities			
Deferred taxation liabilities		<u>2,871</u>	<u>2,832</u>
Current liabilities			
Trade and other payables	12	1,485,750	1,311,153
Borrowings		422,576	424,011
Taxation payable		8,666	7,662
		<u>1,916,992</u>	<u>1,742,826</u>
Total liabilities		<u>1,919,863</u>	<u>1,745,658</u>
Total equity and liabilities		<u>3,416,774</u>	<u>3,273,206</u>
Net current assets		<u>1,144,967</u>	<u>1,145,896</u>
Total assets less current liabilities		<u>1,499,782</u>	<u>1,530,380</u>

Condensed Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Equity holders HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2014	71,805	223,505	1,042,590	1,337,900	189,648	1,527,548
Comprehensive income						
Loss for the period	–	–	(35,782)	(35,782)	3,229	(32,553)
Other comprehensive income						
Currency translation differences	–	–	1,378	1,378	–	1,378
Change in fair value of available-for-sale financial assets	–	–	538	538	–	538
Total comprehensive loss	–	–	(33,866)	(33,866)	3,229	(30,637)
At 30 June 2014	71,805	223,505	1,008,724	1,304,034	192,877	1,496,911
At 1 January 2013	71,805	223,505	1,315,242	1,610,552	183,717	1,794,269
Comprehensive income						
Loss for the period	–	–	(95,175)	(95,175)	6,447	(88,728)
Other comprehensive income						
Currency translation differences	–	–	(667)	(667)	5	(662)
Change in fair value of available-for-sale financial assets	–	–	(551)	(551)	–	(551)
Total comprehensive loss	–	–	(96,393)	(96,393)	6,452	(89,941)
Transactions with owners						
Employee share option scheme – value of employee services	–	–	2,796	2,796	–	2,796
2012 final dividend paid	–	–	(71,805)	(71,805)	–	(71,805)
Total transactions with owners	–	–	(69,009)	(69,009)	–	(69,009)
At 30 June 2013	71,805	223,505	1,149,840	1,445,150	190,169	1,635,319

Condensed Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Net cash used in operating activities	(48,702)	(113,392)
Net cash generated from/(used in) investing activities	2,798	(24,140)
Net cash generated from/(used in) financing activities		
– Dividends paid to equity holders	–	(71,805)
– Proceeds from borrowings	700,000	–
– Repayments of borrowings	(672,454)	(446)
– Others	(3,400)	–
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(21,758)	(209,783)
Cash and cash equivalents at 1 January	1,400,191	1,284,678
Exchange differences	(2,651)	1,406
	<u> </u>	<u> </u>
Cash and cash equivalents at 30 June	<u>1,375,782</u>	<u>1,076,301</u>
Cash and bank balances comprise:		
Cash and cash equivalents	1,375,782	1,076,301
Bank deposits with maturity over three months from date of deposits	–	5,369
	<u> </u>	<u> </u>
Cash and bank balances as at 30 June	<u>1,375,782</u>	<u>1,081,670</u>

Notes to the Interim Financial Information (Unaudited)

1 General information

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, Church Street, Hamilton HM11, 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 Group are provision of property agency services in Hong Kong, the People's Republic of China (the "PRC") and Macau.

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 of the Company on 26 August 2014.

2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared under the historical cost convention as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, 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 2013 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 2014.

Notes to the Interim Financial Information (Unaudited) (continued)

2 Basis of preparation and significant accounting policies (continued)

Effect of adopting amendments to standards

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2014. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group, except for certain changes in presentation and disclosures.

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014

New standards, amendments to standards and interpretation that have been issued but are not effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvement Projects	Annual Improvements 2010 – 2013 Cycle	1 July 2014

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Turnover		
Agency fee	1,849,413	1,693,018
Rental from investment properties	1,281	1,730
Web advertising	108	118
Internet education and related services	–	9,970
Immigration consultancy services	17,653	17,890
Other services	887	1,035
	<u>1,869,342</u>	<u>1,723,761</u>

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information (continued)

(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 businesses which are principally located in Hong Kong, the PRC and Macau, and comprises property agency businesses for residential, commercial and industrial properties and shops, and other businesses which mainly include property leasing and immigration consultancy services.

	Six months ended 30 June 2014			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	1,603,294	294,909	24,015	1,922,218
Inter-segment revenues	(38,356)	(10,434)	(4,086)	(52,876)
Revenues from external customers	1,564,938	284,475	19,929	1,869,342
Segment results	(12,369)	6,701	8,277	2,609
Impairment of receivables	29,726	13,670	–	43,396
Depreciation and amortisation costs	23,426	5,265	452	29,143
Share of results of joint ventures	–	–	4,696	4,696
Fair value loss on investment properties	–	–	(103)	(103)
Additions to non-current assets	9,200	920	48	10,168

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2013			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	1,342,768	409,258	34,709	1,786,735
Inter-segment revenues	(52,070)	(6,938)	(3,966)	(62,974)
Revenues from external customers	1,290,698	402,320	30,743	1,723,761
Segment results	(121,668)	23,716	10,864	(87,088)
Impairment of receivables	57,014	36,954	–	93,968
Depreciation and amortisation costs	23,392	3,289	568	27,249
Share of results of joint ventures	–	–	2,817	2,817
Fair value gain on investment properties	–	–	1,655	1,655
Additions to non-current assets	41,699	5,627	116	47,442

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, unrealised loss on financial assets at fair value through profit or loss, realised gain on available-for-sale financial assets, 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 income statement.

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Segment results for reportable segments	2,609	(87,088)
Corporate expenses	(14,499)	(22,970)
Unrealised loss on financial assets at fair value through profit or loss	–	(17)
Realised gain on available-for-sale financial assets	84	2,366
Finance income	1,687	3,189
Finance costs	(10,379)	(106)
Loss before taxation per consolidated income statement	<u>(20,498)</u>	<u>(104,626)</u>

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, available-for-sale financial assets, all of which are managed on a central basis. The following is total segment assets and liabilities by reporting segments.

	As at 30 June 2014			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	<u>1,498,966</u>	<u>821,563</u>	<u>171,326</u>	<u>2,491,855</u>
Segment assets include:				
Interests in joint ventures	<u>–</u>	<u>–</u>	<u>56,507</u>	<u>56,507</u>
Segment liabilities	<u>1,240,183</u>	<u>207,645</u>	<u>27,778</u>	<u>1,475,606</u>

Notes to the Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information (continued)

(b) Segment information (continued)

	As at 31 December 2013			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	1,585,208	790,347	196,689	2,572,244
Segment assets include:				
Interests in joint ventures	–	–	56,431	56,431
Segment liabilities	1,051,577	189,138	28,453	1,269,168

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Segment assets	2,491,855	2,572,244
Corporate assets	880,242	649,971
Available-for-sale financial assets	14,456	15,071
Deferred taxation assets	30,221	35,920
Total assets per consolidated balance sheet	3,416,774	3,273,206

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 2014 HK\$'000	As at 31 December 2013 HK\$'000
Segment liabilities	1,475,606	1,269,168
Corporate liabilities	441,386	473,658
Deferred taxation liabilities	2,871	2,832
Total liabilities per consolidated balance sheet	<u>1,919,863</u>	<u>1,745,658</u>

Geographical information:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Hong Kong and Macau	1,553,544	1,384,764
PRC	315,798	338,997
Revenues from external customers	<u>1,869,342</u>	<u>1,723,761</u>

Revenues are attributed to locations where the transactions took place.

Notes to the Interim Financial Information (Unaudited) (continued)

4 Other income

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Fair value (loss)/gain on investment properties	(103)	1,655
Gain on disposal of investment properties	–	567
Realised gain on available-for-sale financial assets	84	2,366
Others	1,675	1,179
	<u>1,656</u>	<u>5,767</u>

5 Operating loss

Operating loss is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment	1,746	271
Unrealised loss on financial assets at fair value through profit or loss	–	17

6 Taxation

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	3,715	5,943
Overseas	2,832	696
Deferred	5,508	(22,537)
	<u>12,055</u>	<u>(15,898)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 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 Interim Financial Information (Unaudited) (continued)

7 Dividends

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend declared of nil (2013: nil) per share	—	—

The Board does not declare an interim dividend for the Interim Period (six months period ended 30 June 2013: Nil).

8 Loss per share

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Loss attributable to equity holders	(35,782)	(95,175)
Number of shares for calculation of basic earnings per share (thousands)	718,046	718,046
Effect on conversion of share options (thousands)	—	—
Number of shares for calculation of diluted earnings per share (thousands)	718,046	718,046
Basic loss per share (HK cents)	(4.98)	(13.25)
Diluted loss per share (HK cents)	(4.98)	(13.25)

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

In calculating the diluted loss per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted loss per share for both periods did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

Notes to the Interim Financial Information (Unaudited) (continued)

9 Property, plant and equipment and investment properties

Land and buildings with net book value of HK\$91,427,000 (as at 31 December 2013: HK\$67,765,000) and investment properties with net book value of HK\$56,330,000 (as at 31 December 2013: HK\$1,000,000) were pledged as security for the Group's bank loans.

In addition, none of the land and buildings were pledged to secure general banking facilities granted to the Group (as at 31 December 2013: HK\$3,975,000).

The valuations of the investment properties at 30 June 2014 and 30 June 2013 were carried out by MIDLAND SURVEYORS LIMITED, a qualified surveyor. The valuations of the investment properties at 31 December 2013 were undertaken by Knight Frank Petty Limited, an independent qualified professional valuer not related to the Group. Fair values of investment properties are generally derived using the income capitalisation method which has taken into account certain significant unobservable inputs. 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 valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

10 Trade and other receivables

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Trade receivables	1,566,224	1,317,691
Less: provision for impairment	<u>(167,942)</u>	<u>(148,753)</u>
Trade receivables, net	1,398,282	1,168,938
Other receivables, prepayments and deposits	<u>282,954</u>	<u>281,857</u>
	<u>1,681,236</u>	<u>1,450,795</u>

Notes to the Interim Financial Information (Unaudited) (continued)

10 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 ageing analysis of the trade receivables is as follows:

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Not yet due	1,168,367	1,053,958
Less than 30 days	108,927	34,703
31 to 60 days	45,845	36,841
61 to 90 days	46,049	9,736
Over 90 days	29,094	33,700
	<u>1,398,282</u>	<u>1,168,938</u>

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

11 Share capital

	Number of shares (HK\$0.10 each)	Nominal value HK\$'000
Authorised:		
At 30 June 2013, 31 December 2013 and 30 June 2014	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 30 June 2013, 31 December 2013 and 30 June 2014	<u>718,046,005</u>	<u>71,805</u>

Notes to the Interim Financial Information (Unaudited) (continued)

12 Trade and other payables

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Commissions payable	1,154,850	931,426
Other payables and accruals	330,900	379,727
	<u>1,485,750</u>	<u>1,311,153</u>

Commissions payable include mainly commissions payable to property consultants, co-operative estate agents and clients, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$164,992,000 (as at 31 December 2013: HK\$110,125,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

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

13 Capital commitment

The Group and the Company did not have any significant capital commitment as at 30 June 2014 and 31 December 2013.

14 Contingent liabilities

At 30 June 2014, the Company executed corporate guarantee as part of the securities for general banking and other loan facilities of HK\$642,700,000 granted to certain wholly-owned subsidiaries (as at 31 December 2013: HK\$542,700,000). At 30 June 2014, HK\$223,547,000 of the banking facilities were utilised by the subsidiaries (as at 31 December 2013: HK\$425,701,000).

The Group has been involved in certain claims/litigations in respect of property agency services. After seeking appropriate legal advice, the Directors are of the opinion that either no provision is required or that adequate provision has been made in the financial statements to cover any potential liabilities.

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:

	Note	Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
(a) Transactions with related parties			
Operating lease rental expenses in respect of office and shops premises			
– Related companies	(i)	4,446	5,698
– Directors	(ii)	127	744
Interest on loans provided by a director	(iii)	973	–
Consultancy fee paid to a director	(iv)	<u>1,680</u>	<u>–</u>
(b) Key management compensation			
Fees, salaries, allowances and incentives	(v)	7,531	19,169
Share-based benefits	(v)	–	2,796
Retirement benefit costs	(v)	<u>49</u>	<u>66</u>
		<u>7,580</u>	<u>22,031</u>

Notes:

- (i) The Group entered into certain operating lease agreements with certain related companies, in which directors of the Company have beneficial interests, on terms mutually agreed by both parties.
- (ii) The Group entered into operating lease agreements with directors of the Company on terms mutually agreed by both parties.
- (iii) During the period, a director granted loans to the Group of which are unsecured and interest bearing at prevailing market rate. Such loans are fully repaid during the period.
- (iv) Consultancy fee is paid to a director for acting as strategic consultant of the Company.
- (v) The amount represents emoluments paid or payable to Executive Directors for the period.