

# Midland Holdings



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# Agenda

- Financial Highlights
- Business Overview
- Prospects
- Q&A



# 2017 Interim Results Highlights

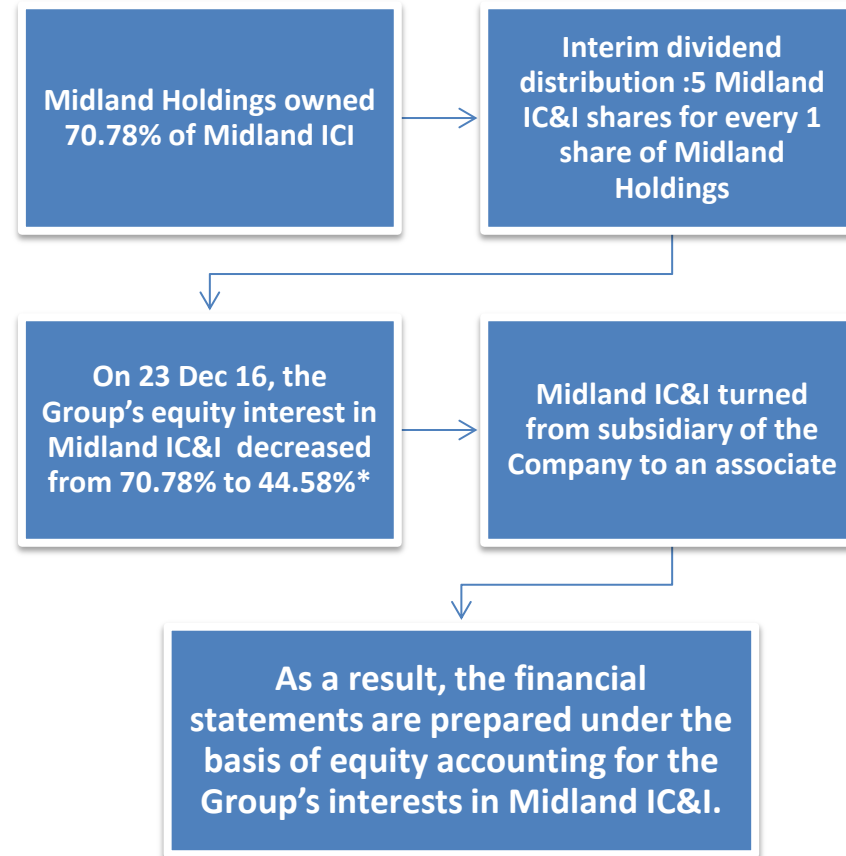
	1H 2017 (HK\$'000)	1H 2016 (HK\$'000)	1H 2017 Vs 1H 2016	1H 2016 (HK\$'000) Adjusted*	1H 2017 Vs 1H 2016 Adjusted
Revenue	<b>2,778,018</b>	<b>2,105,323</b>	<b>+32.0%</b>	<b>1,934,907</b>	<b>+43.6%</b>
Operating Costs	<b>2,664,667</b>	<b>2,249,343</b>	<b>+18.5%</b>	<b>2,068,877</b>	<b>+28.8%</b>
Revenue <i>(Net of Rebate Incentives)</i>	<b>2,024,162</b>	<b>1,727,529</b>	<b>+17.2%</b>	<b>1,573,931</b>	<b>+28.6%</b>
Operating Costs <i>(Net of Rebate Incentives)</i>	<b>1,910,811</b>	<b>1,871,549</b>	<b>+2.1%</b>	<b>1,707,901</b>	<b>+11.9%</b>
Operating Profit / (Loss)	<b>121,876</b>	<b>(144,632)</b>	<b>N/A</b>	<b>(134,591)</b>	<b>N/A</b>
Profit / (Loss) Attributable to Equity Holders	<b>115,667</b>	<b>(134,416)</b>	<b>N/A</b>	<b>(134,416)</b>	<b>N/A</b>

\*As a result of the payment of interim dividend by the distribution of the shares of Midland IC&I Limited ("IC&I"), IC&I has turned from a subsidiary to an associate of the Group. For comparison purpose, the adjusted figures for 1H 2016 are presented on the basis of equity accounting for the Group's interests in Midland IC&I.



# Midland IC&I turned from subsidiary to an associate

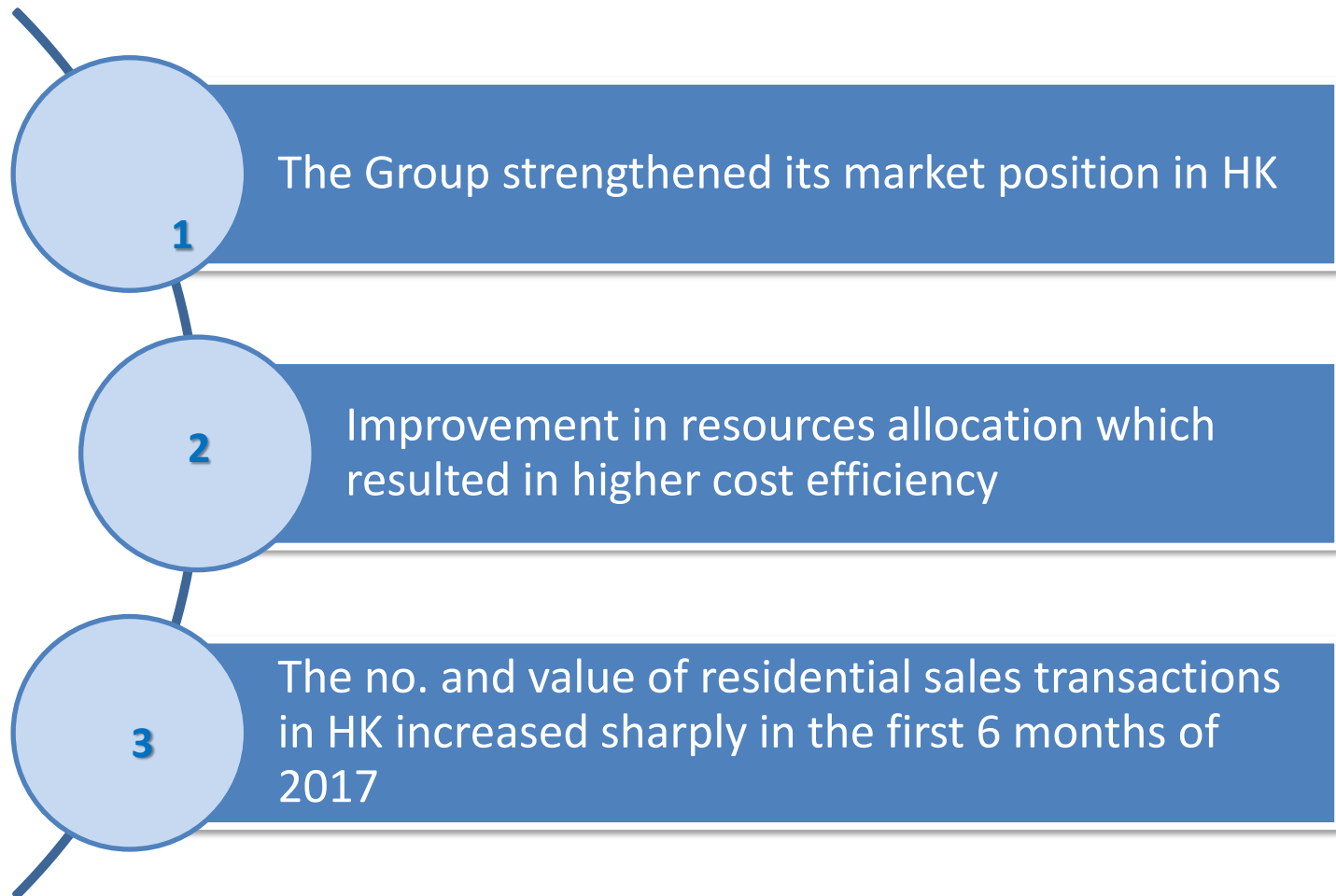
## Payment of interim dividend



\* Further fell to 33.84% in late March 2017



# Reasons for the turnaround

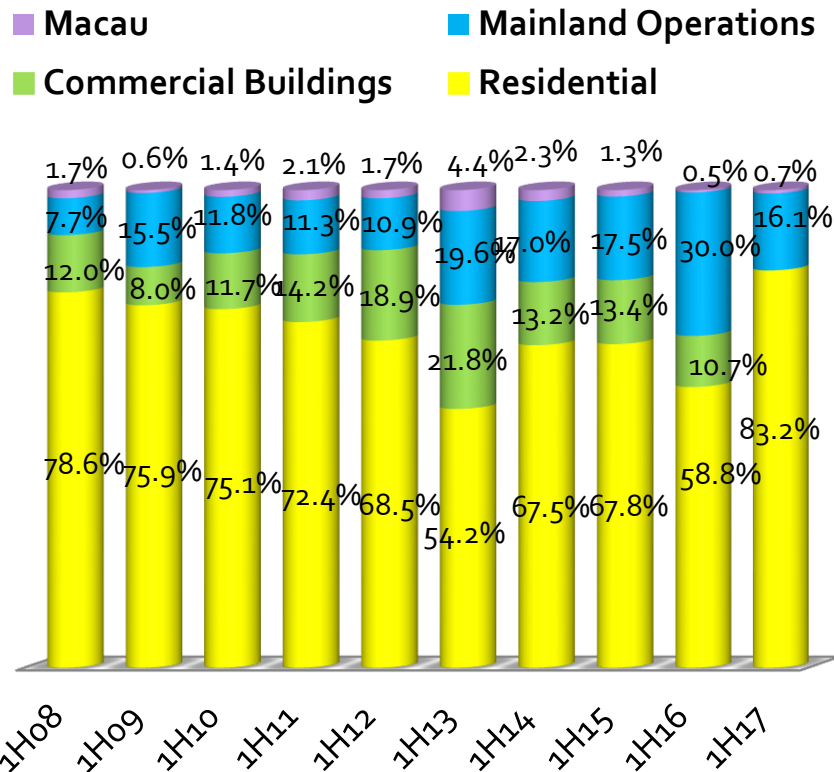




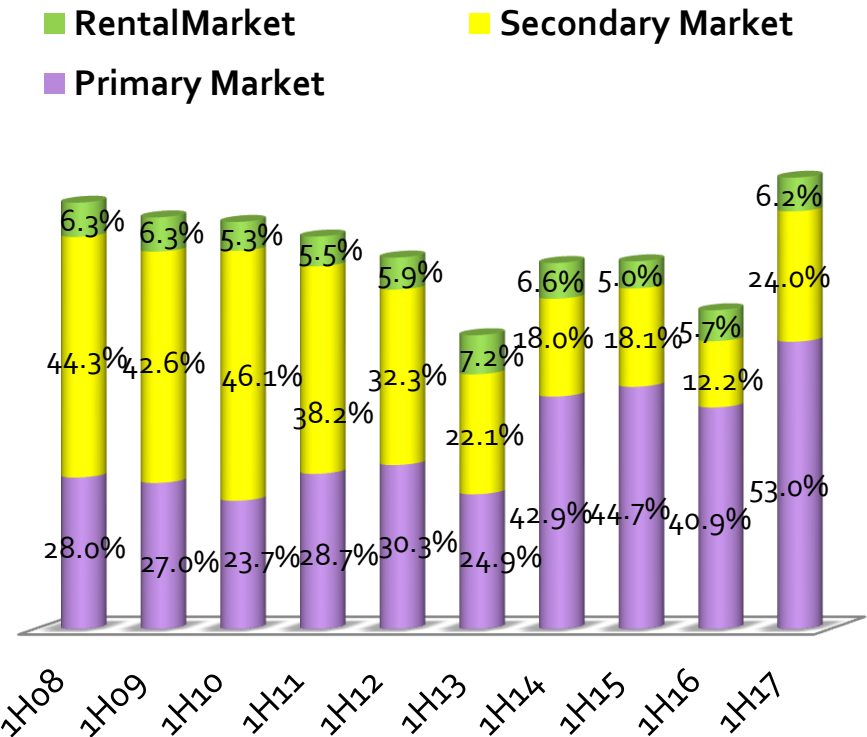
# Key financial highlights - Revenue

## Revenue from Mainland market declined

### In terms of Revenue



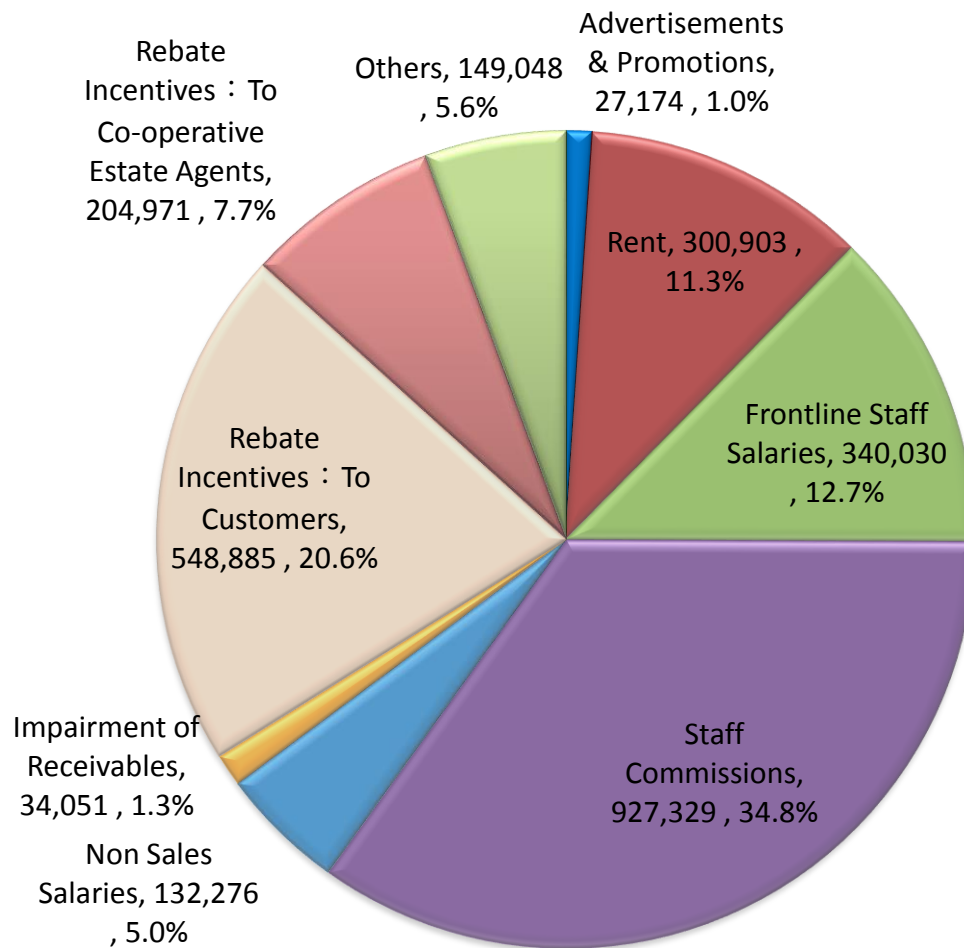
### In terms of Revenue from residential sector(HK)



As a result of the payment of interim dividend by the distribution of the shares of Midland IC&I Limited ("IC&I"), IC&I has turned from a subsidiary to an associate of the Group. Accordingly, IC&I's revenues are not included in the first half of the year.



# Key Financial Highlights – Cost Breakdown



	1H 2017	1H 2016	1H 2016 Adjusted
Advertisements & Promotions	1.0%	1.9%	1.7%
Rent	11.3%	13.8%	14.0%
Frontline Staff Salaries	12.7%	17.5%	17.4%
Staff Commissions	34.8%	34.3%	34.6%
Non Sales Salaries	5.0%	5.5%	5.1%
Impairment of Receivables	1.3%	2.4%	2.2%
Rebate Incentives : To Customers	20.6%	12.9%	13.6%
Rebate Incentives : To Co-operative Estate Agents	7.7%	3.9%	3.9%



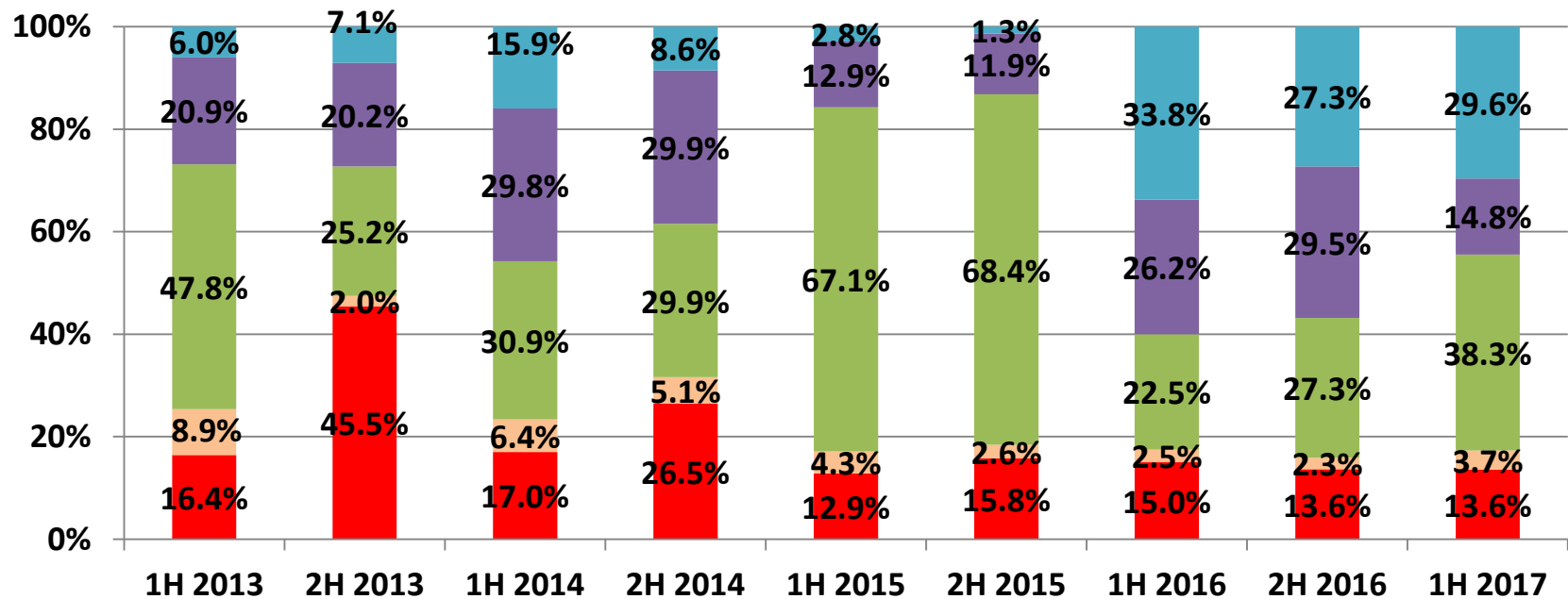


# Changes in Costs

(HK\$ '000)	1H 17	1H 16	1H 17 Vs 1H 16	1H 16 Adjusted	1H 17 Vs 1H 16 Adjusted
Advertisements & Promotions	27,174	43,073	-36.9%	35,848	-24.2%
Rent	300,903	310,539	-3.1%	289,867	+3.8%
Frontline Staff Salaries	340,030	394,726	-13.9%	359,362	-5.4%
Staff Commissions	927,329	772,555	+20.0%	716,348	+29.5%
Non Sales Salaries	132,276	124,386	+6.3%	105,226	+25.7%
Impairment of Receivables	34,051	54,640	-37.7%	46,148	-26.2%
Rebate Incentives: To Customers	548,885	289,239	+89.8%	280,434	+95.7%
Rebate Incentives: To Co-operative Estate Agents	204,971	88,555	+131.5%	80,542	+154.5%
Other Operating Costs	149,048	171,630	-13.2%	155,102	-3.9%



# HK operation : Negotiations on leases



■ Closed

■ Relocation

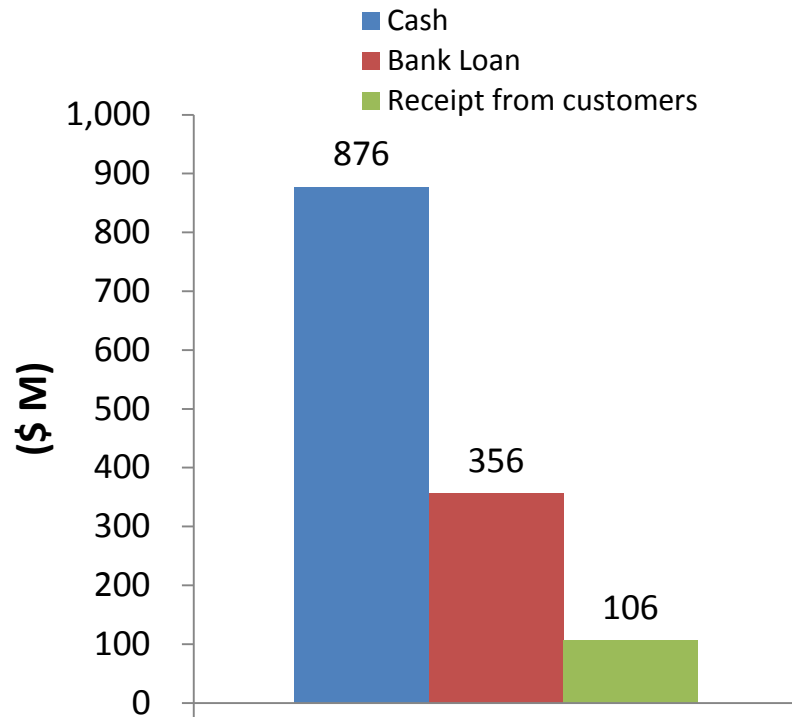
■ Renewed with Rental Increase

■ Renewed with No Change in Rent

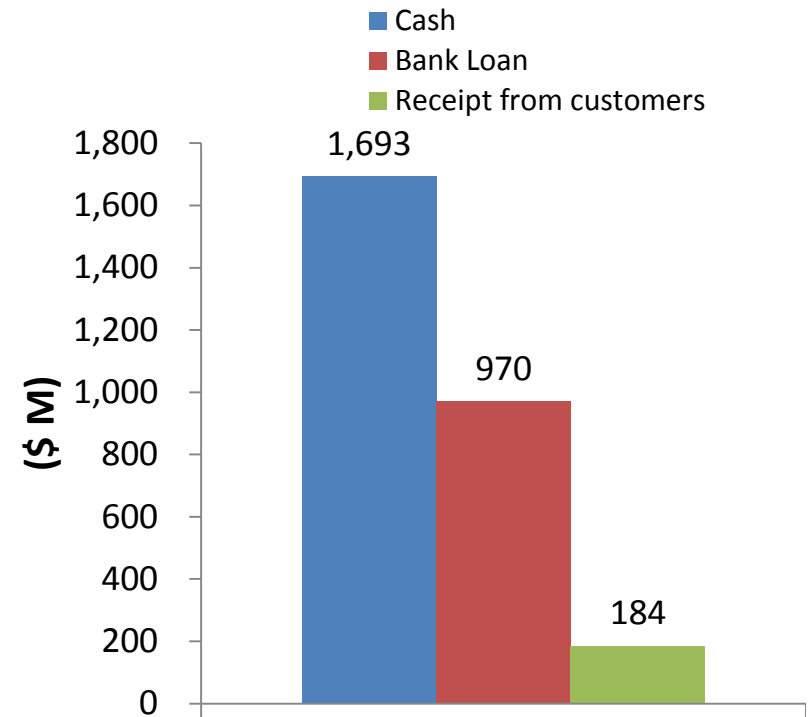
■ Renewed with Rental Reduction

# Net Cash Position

## 2016 End



## 2017 Interim



Bank loan and cash position increased at the end of June 2017 because of the sales arrangement of Ocean Pride, Park Yoho Genova and 63 Pokfulam



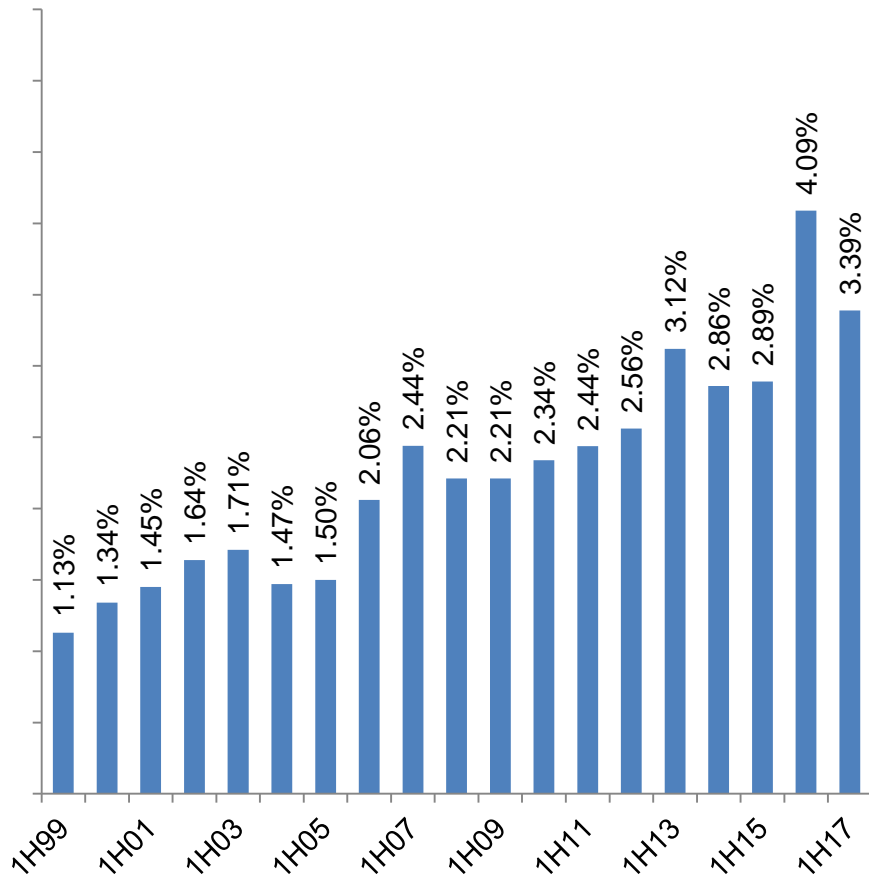
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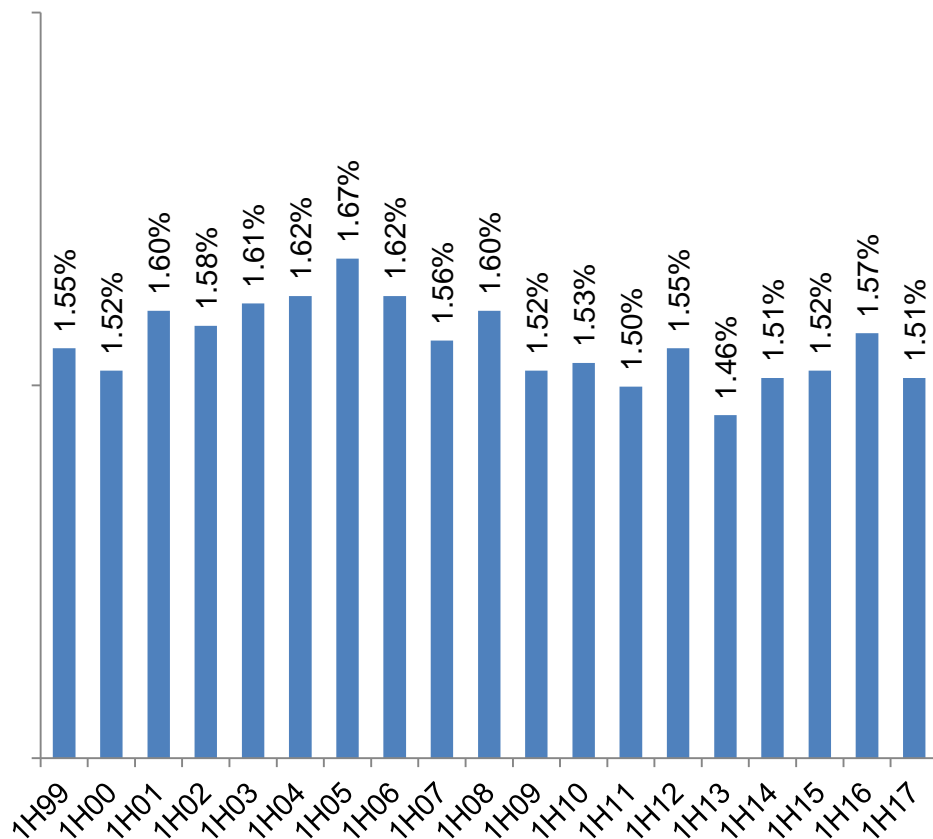


# Commission Rate\*

## As a % of New Property Price



## As a % of Resale Property Price

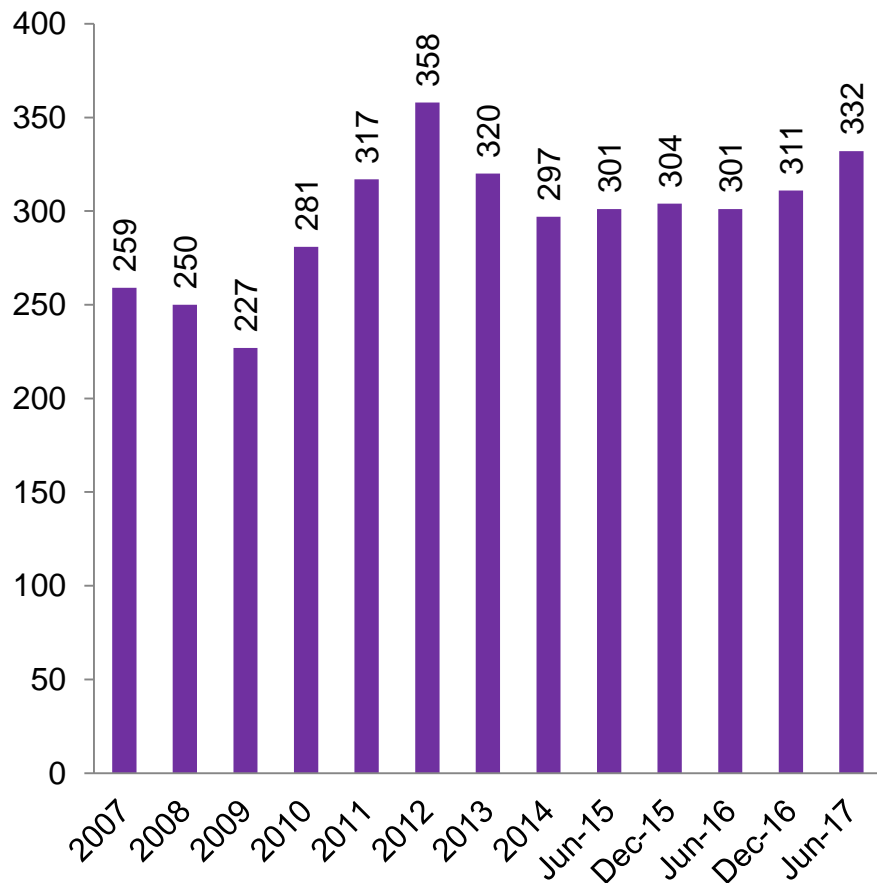


\*Local Market (including Macau)

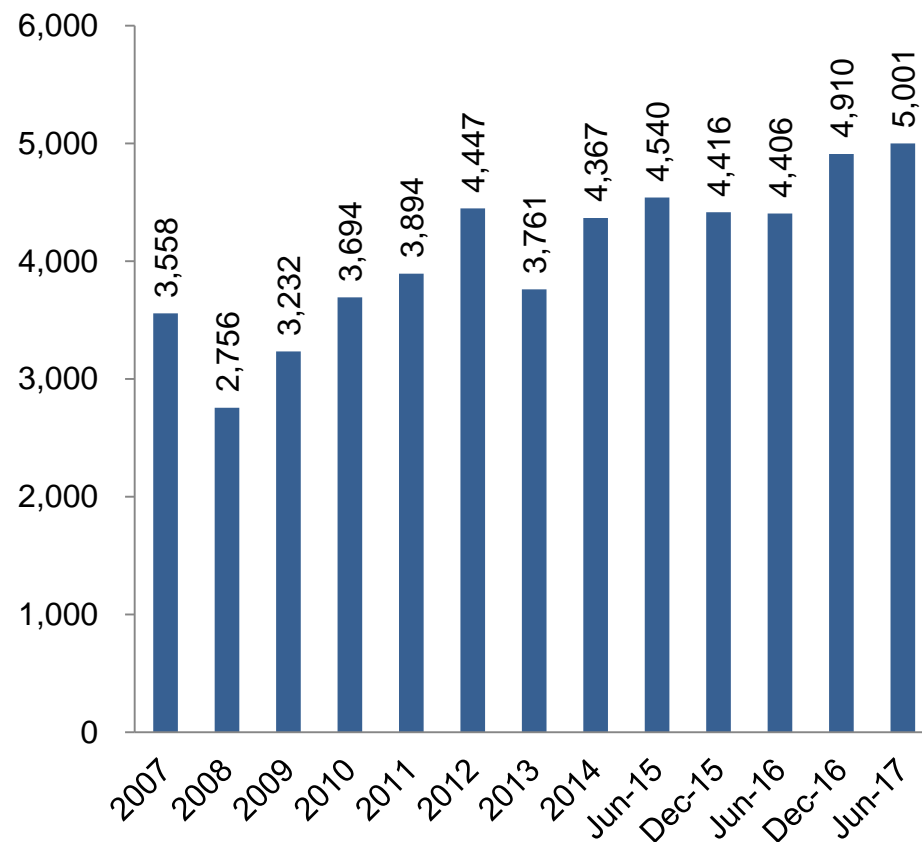


# Local: Scale was stable in 1H 2017

**Number of Local Branches  
(Not including Midland ICI)**



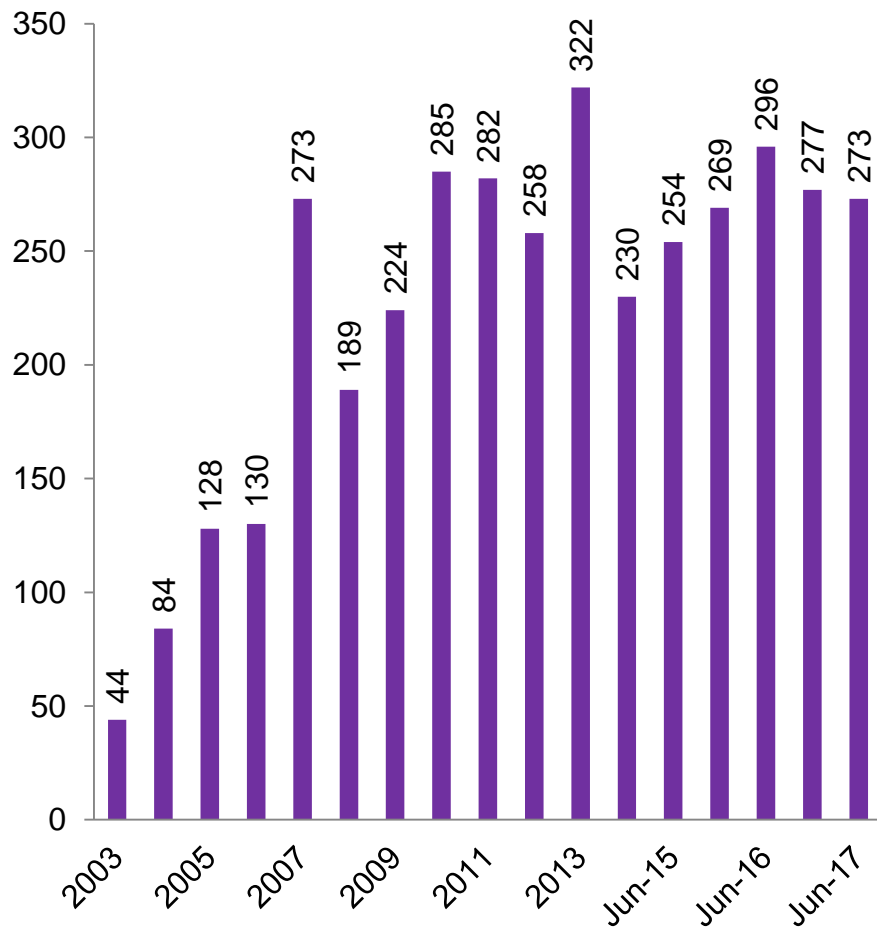
**Number of Staff in HK  
(Not including Midland ICI)**



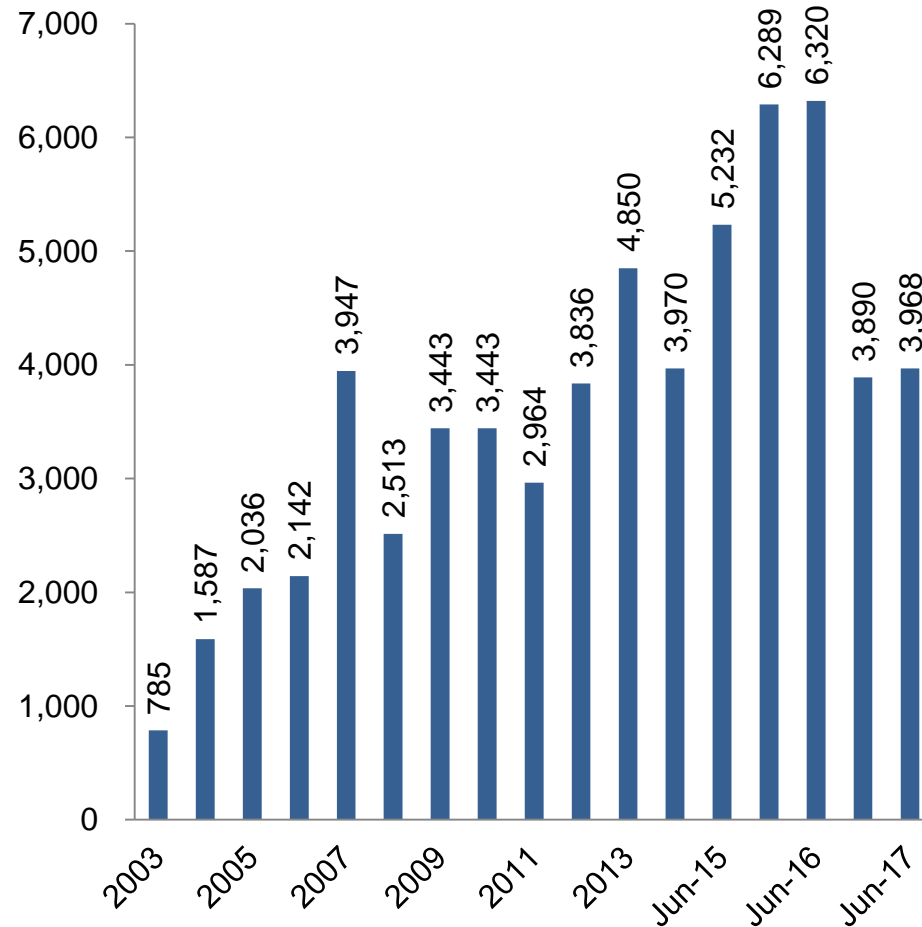


# China : The business environments were challenging

## Number of Branches in China

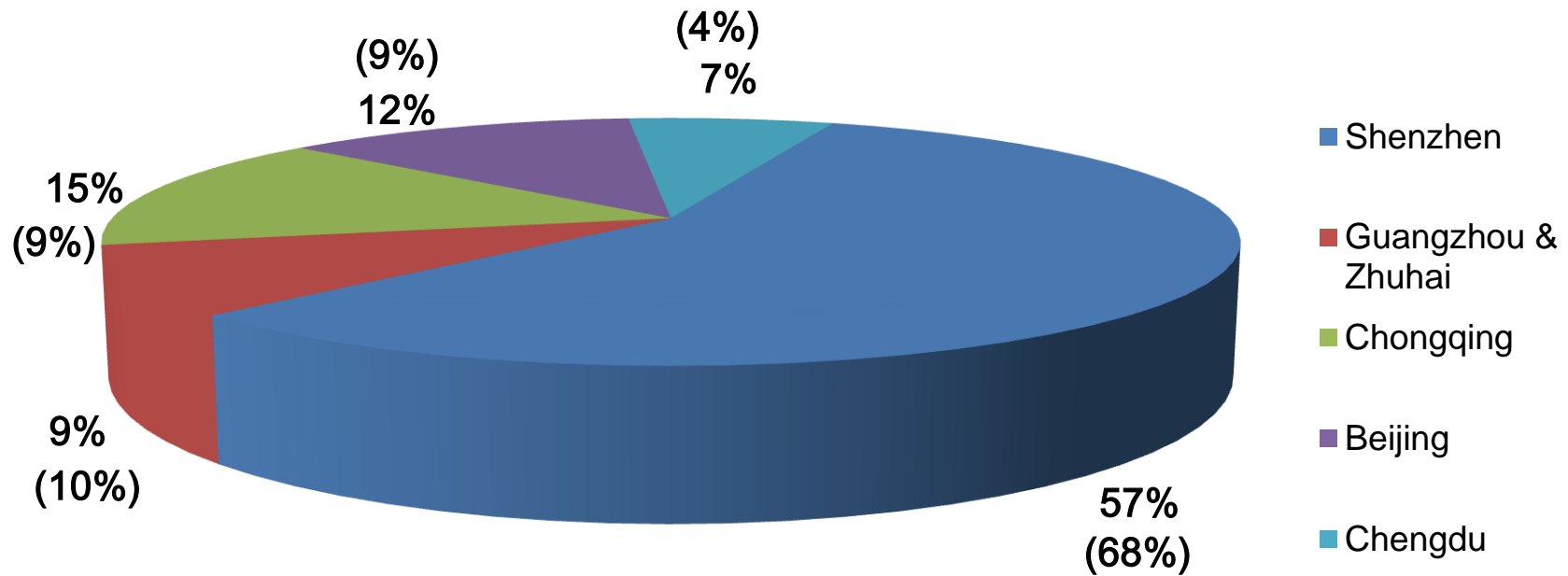


## Number of Staff in China



# Focus Strategy remained Intact

## Revenue Breakdown in Mainland China



( ) 2016 interim Figures



# Good progress with the three-year plan



1. Review on commission scheme



2. Reorganise the talent pool

**BUSINESS PROCESS  
TEAM**

3. Streamline the workflow



4. Enhance productivity



5. Review the branch network



6. Boost the staff morale



# New three-year plan

- 1 Improving the efficiencies and effectiveness of our online platform whilst increasing the mobility of our internal IT systems and platform
- 2 Developing a holistic sales platform which caters for all the property-related needs of our customers
- 3 Establishing solid relationships with the mainland developers who entered the local market in recent years
- 4 Reviewing the strategies of the mainland operations

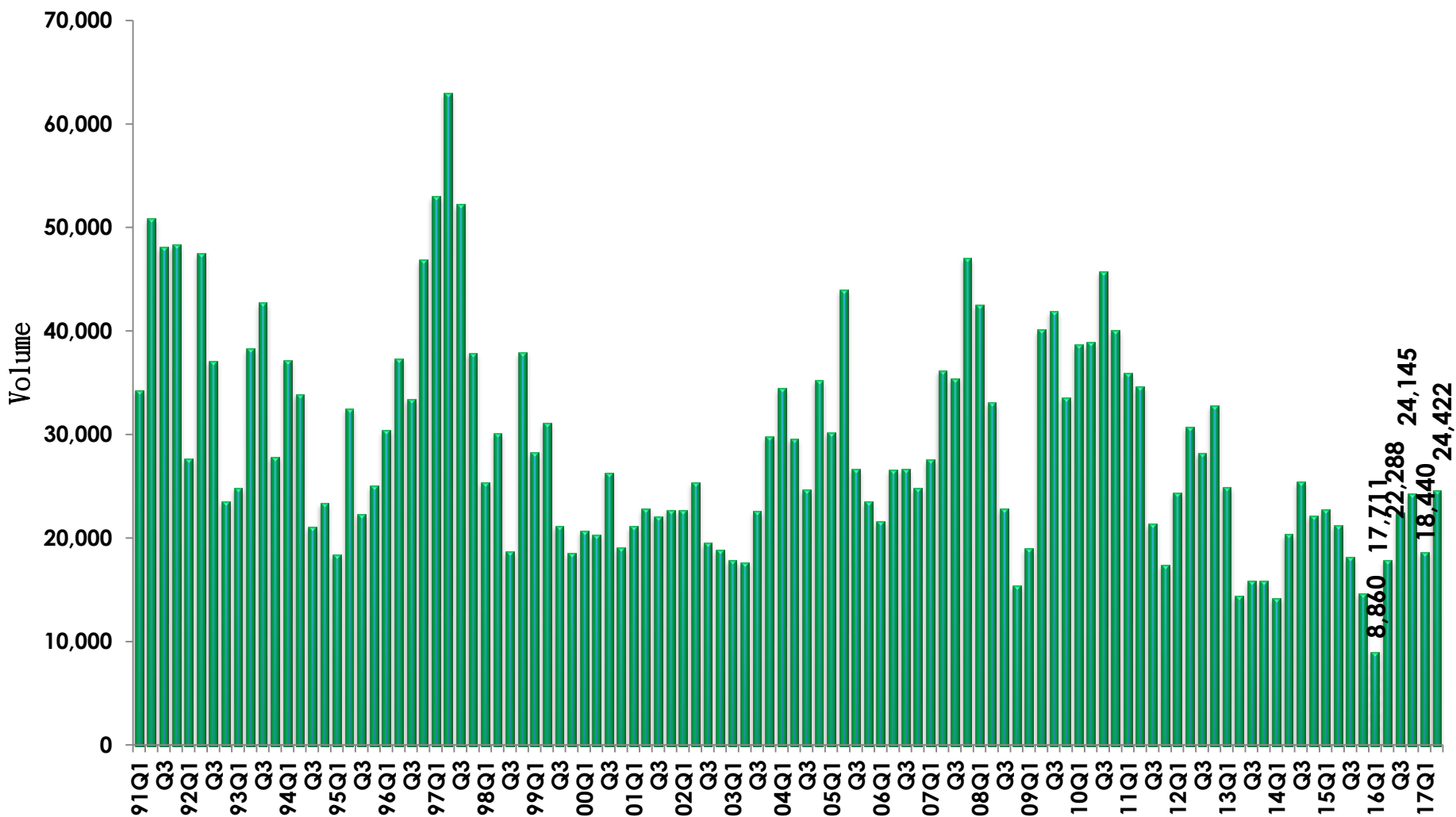


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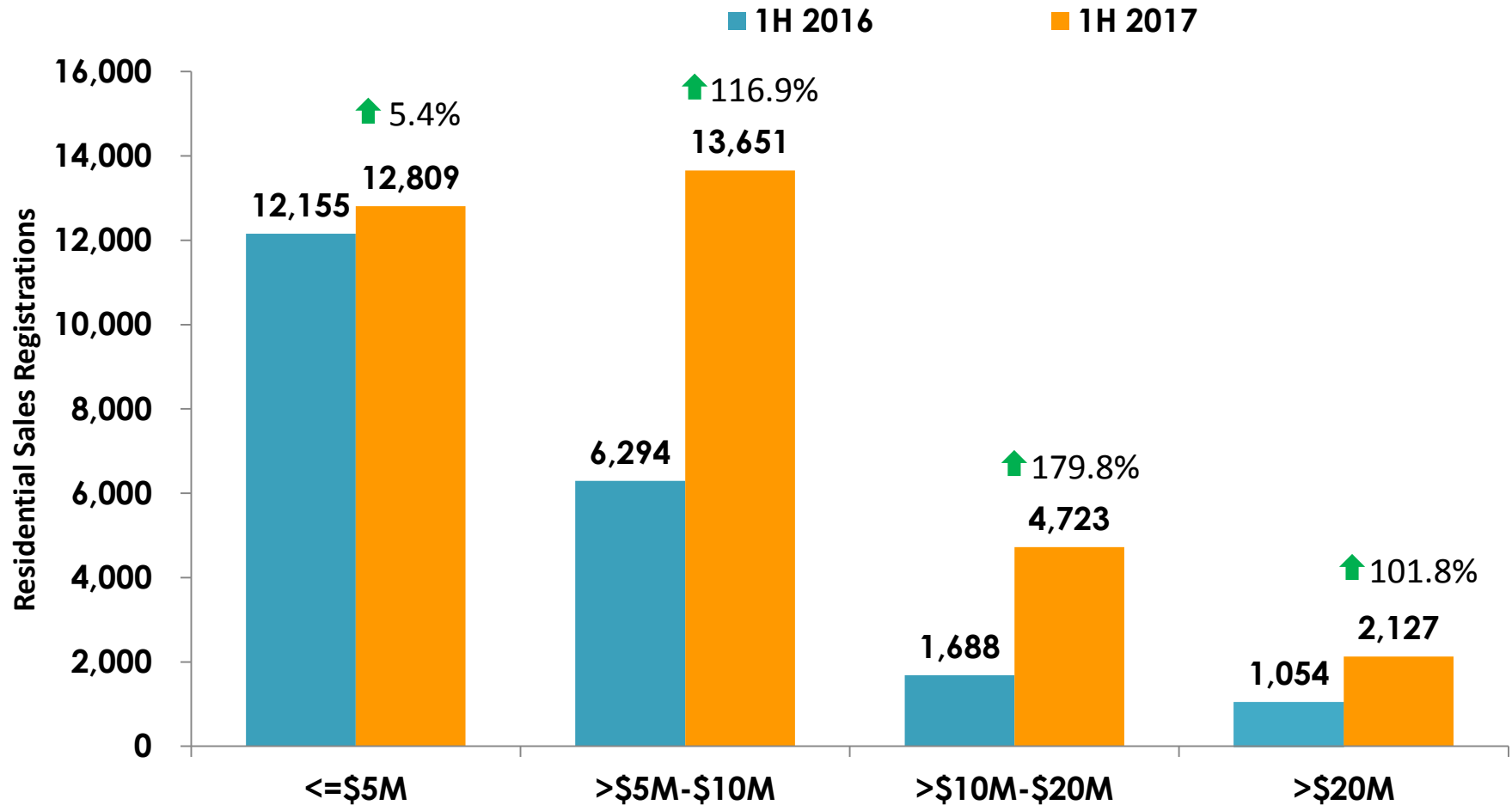
# Market in 1H 2017 performed much better than 1H 2016



Remarks :  
 Source : Land Registry and Midland Property Data and Research Centre



# Across-the-board increase

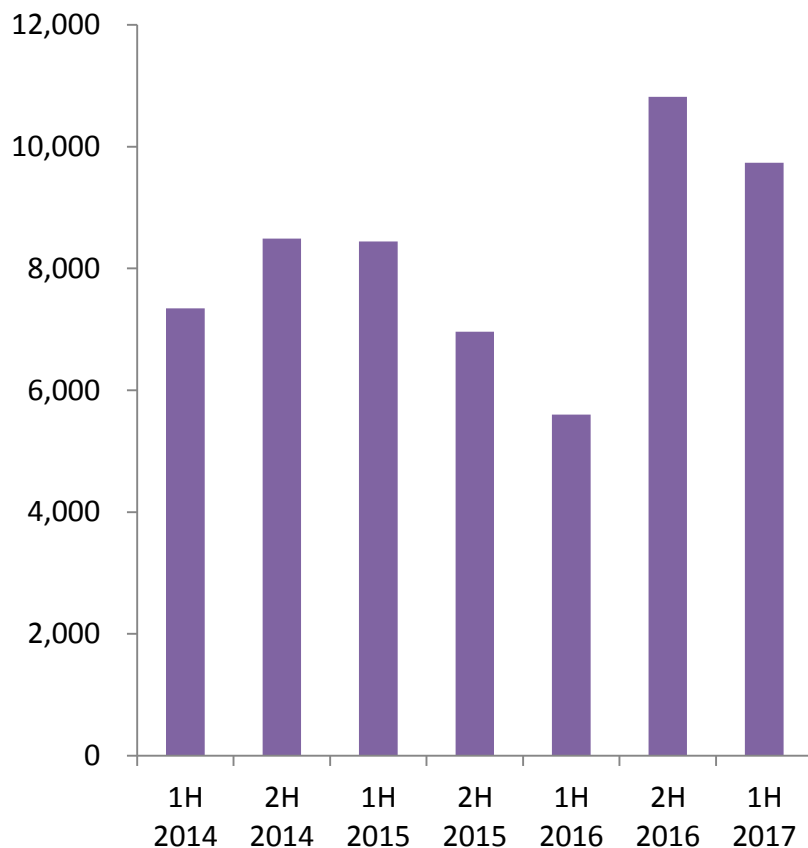


Source : Midland Property Data and Research Centre

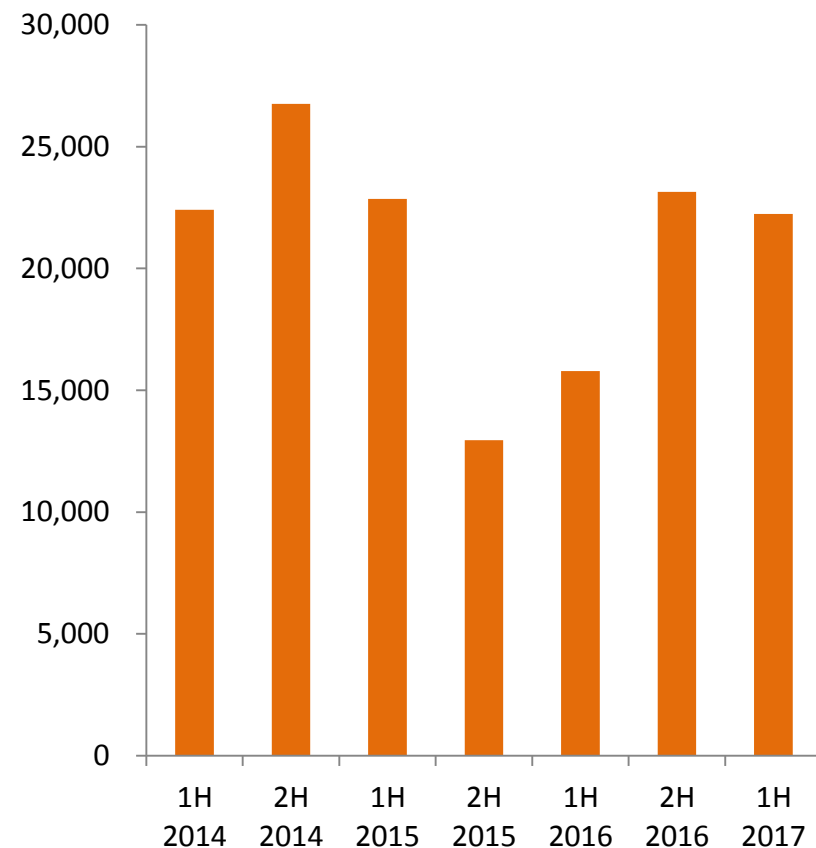


# Primary market outperformed

## Primary Home Sales\*



## Secondary Home Sale^



#Provisional Figures

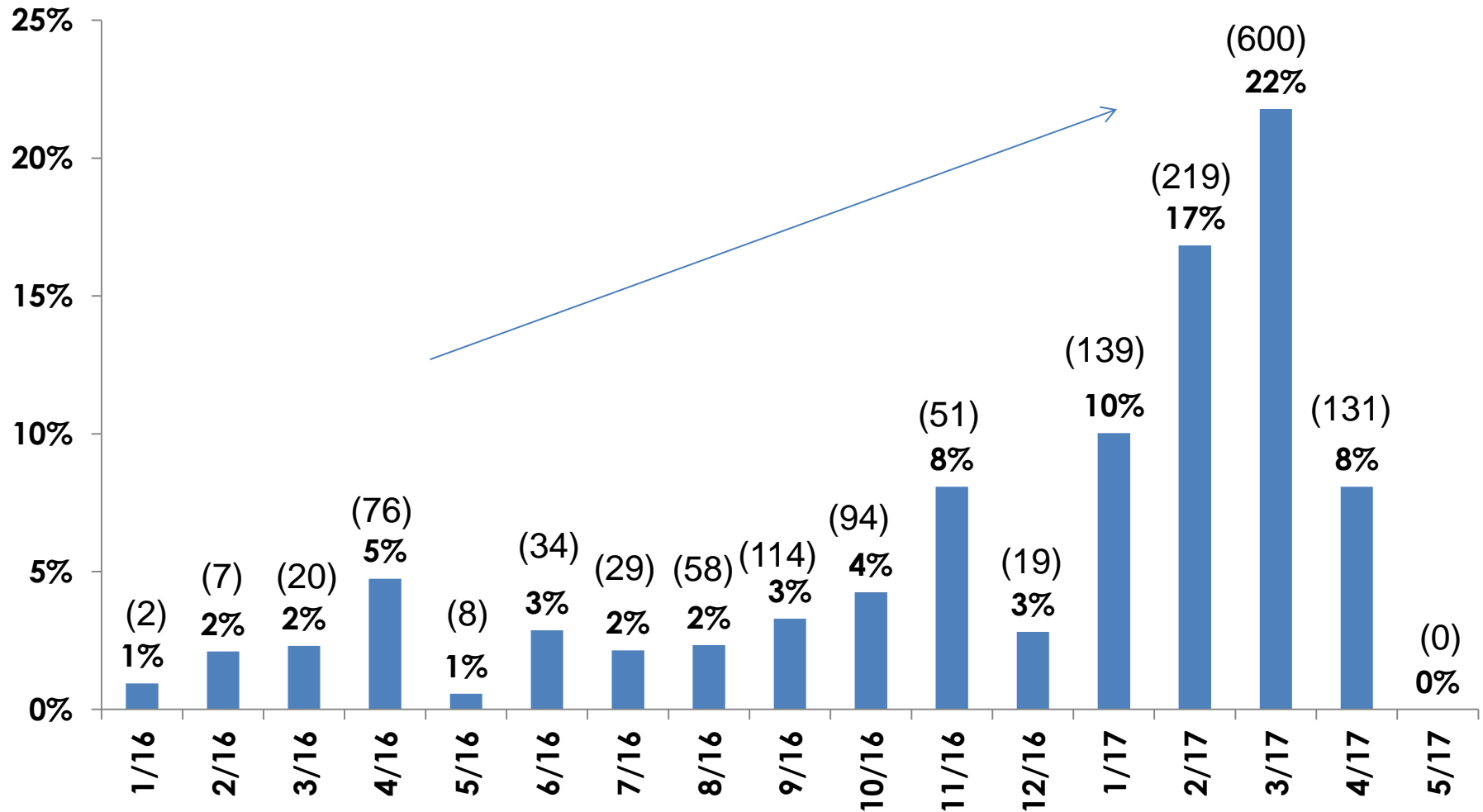
\*Based on the information in Sales of First-hand Residential Properties Electronic Platform. Default Transactions are excluded.

^Secondary Residential Transactions do not include sales of units under the Home Ownership Scheme, the Private Sector Participation Scheme and the Tenants Purchase Scheme except those after payment of premium.

Source : Land Registry and Midland Property Data and Research Centre



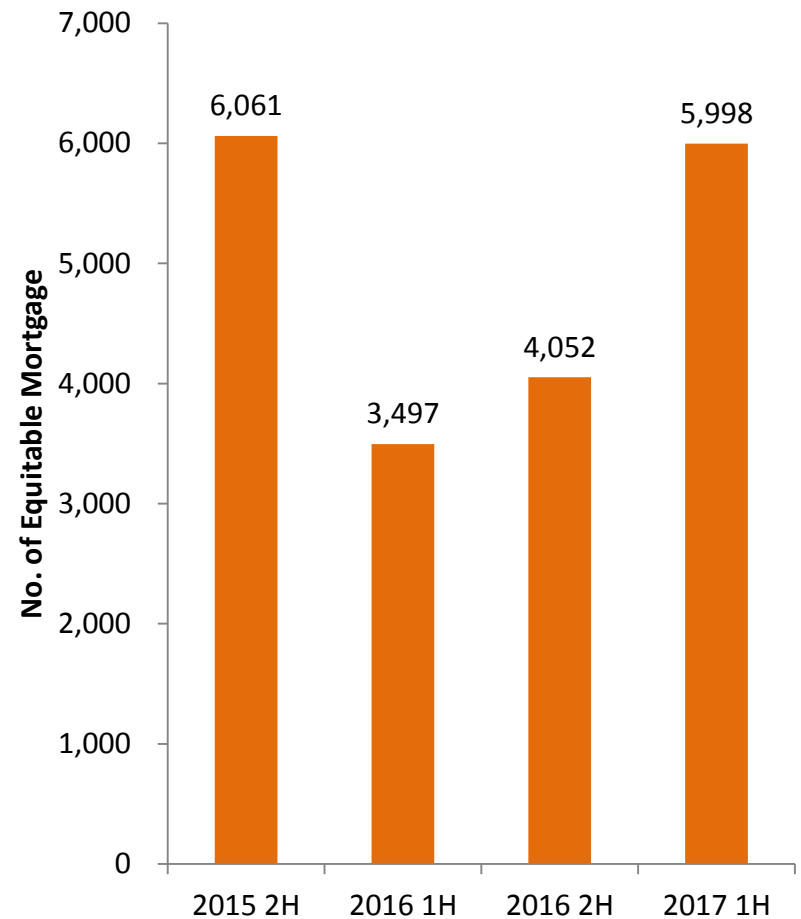
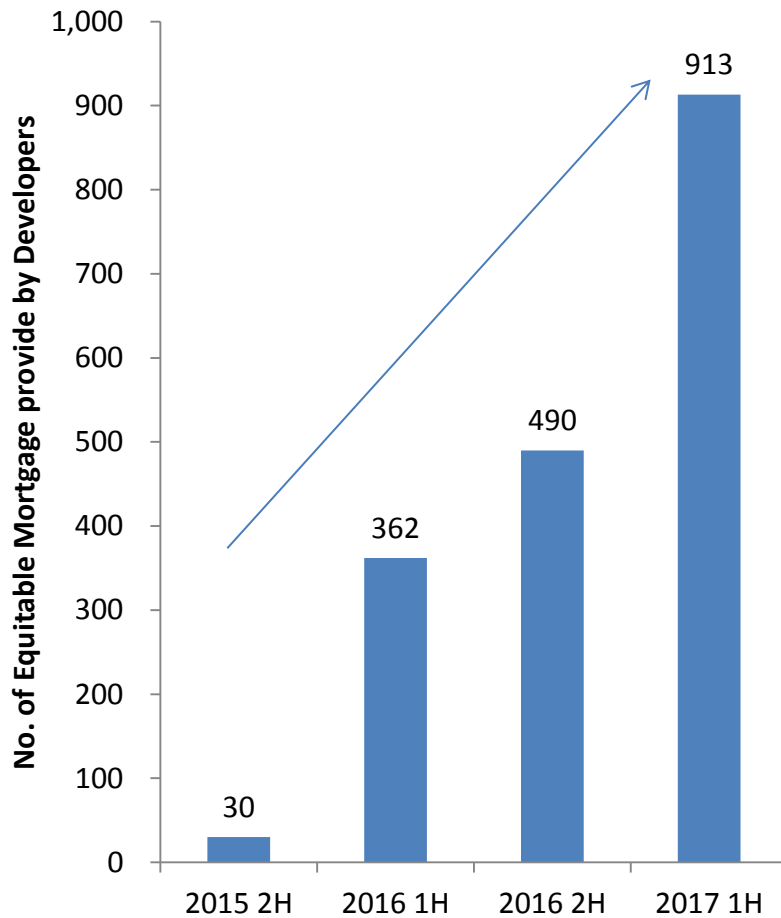
# Transactions of multiple new units in a single contract



Remarks : Based on the information in Sales of First-hand Residential Properties Electronic Platform. Default Transactions are excluded.  
 ( ) No. of Units



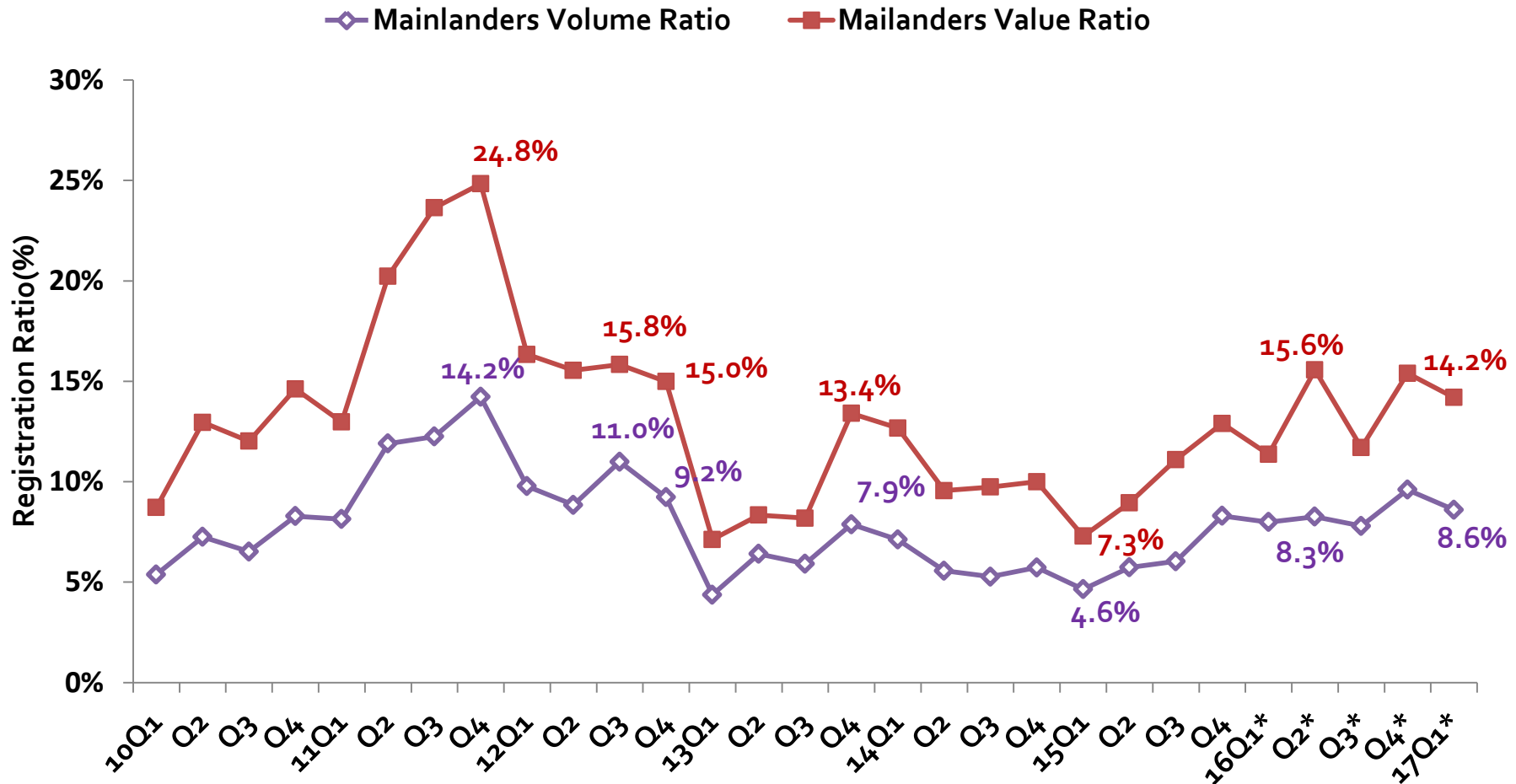
# Developers as Lenders



Source : Land Registry and Midland Property Data and Research Centre



# Number of mainland buyers increased

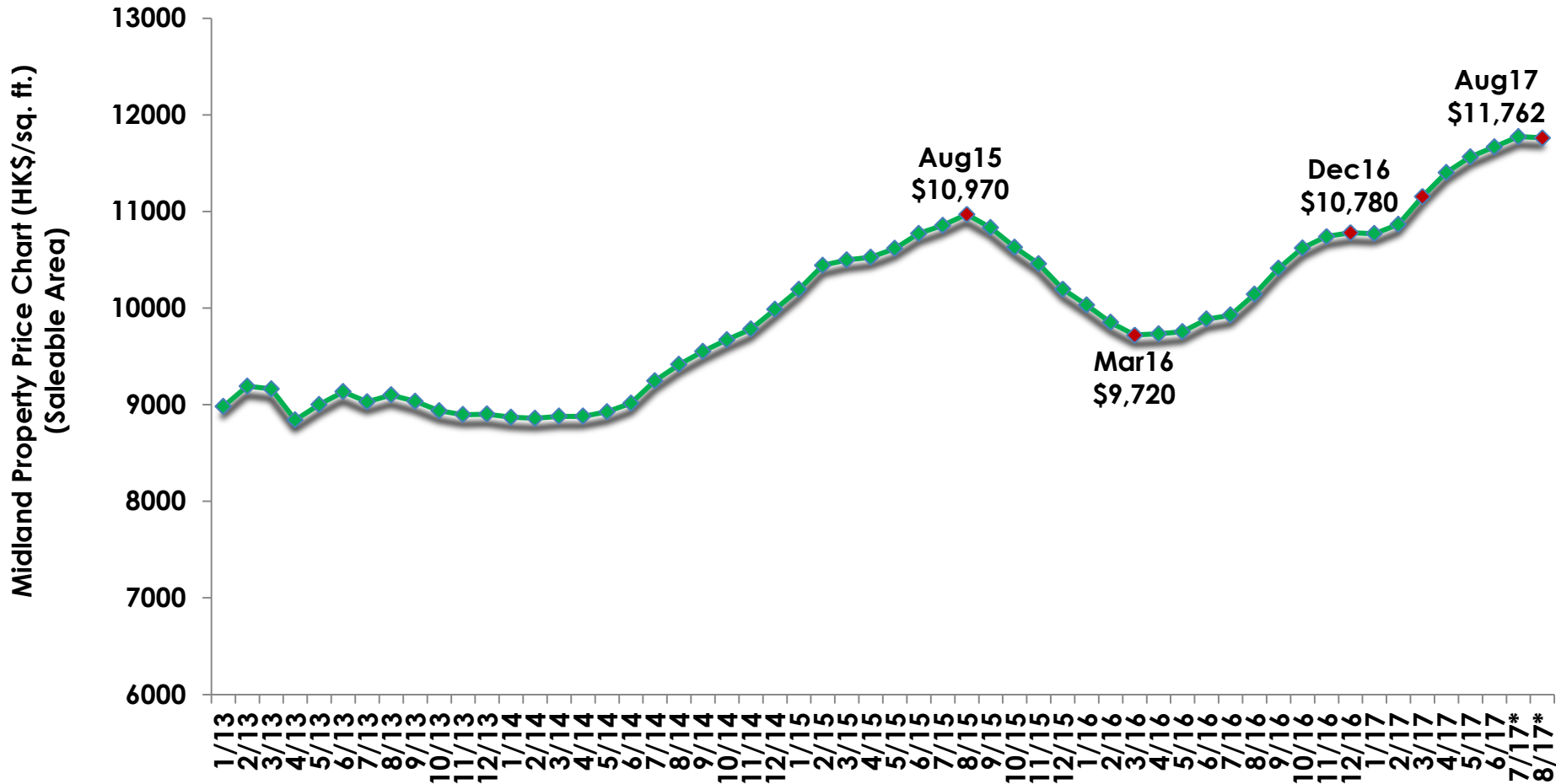


\*Provisional Figures

Source : Midland Property Data and Research Centre



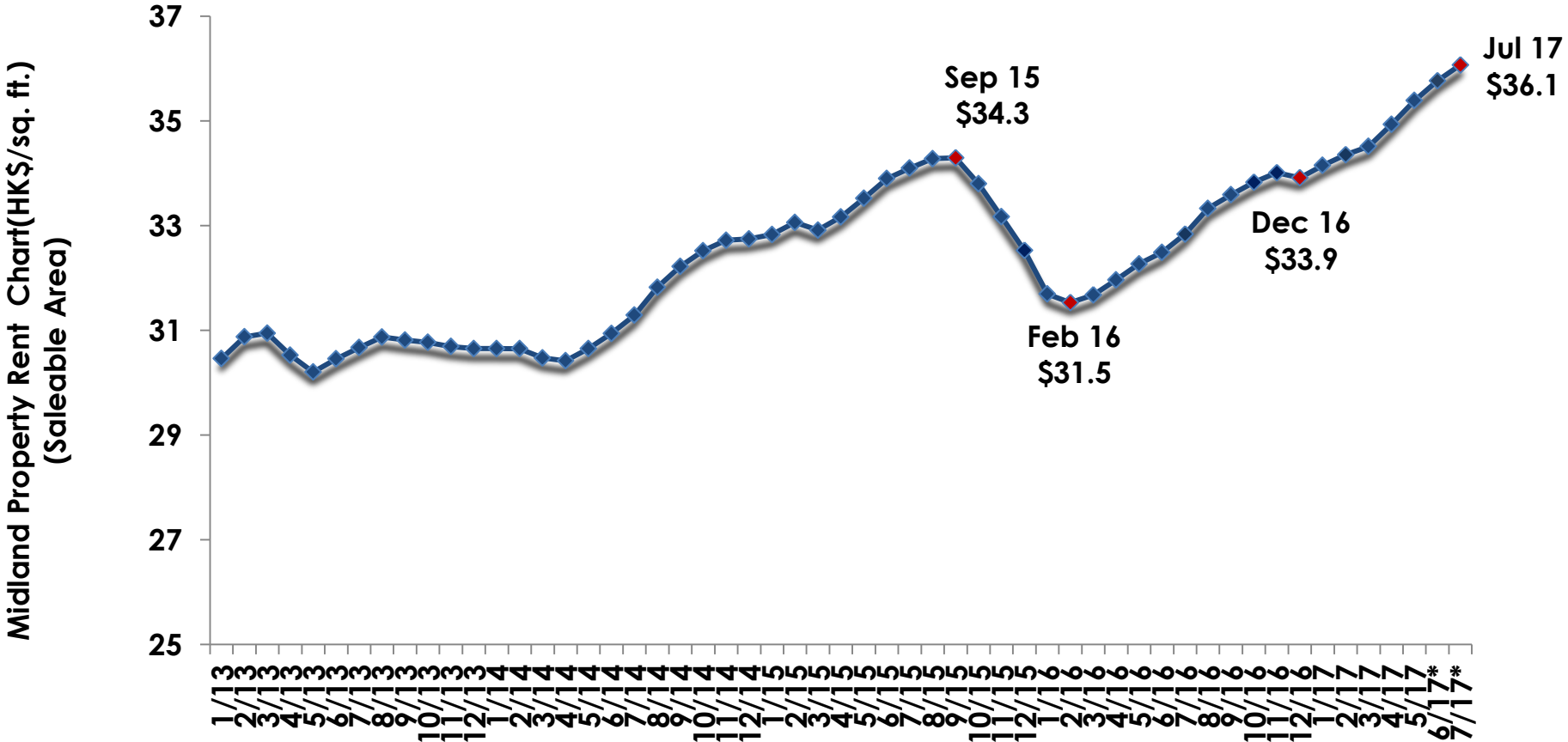
# Uptrend of Property Prices have resumed



\*Provisional Figures  
Source : Midland Property Data and Research Centre



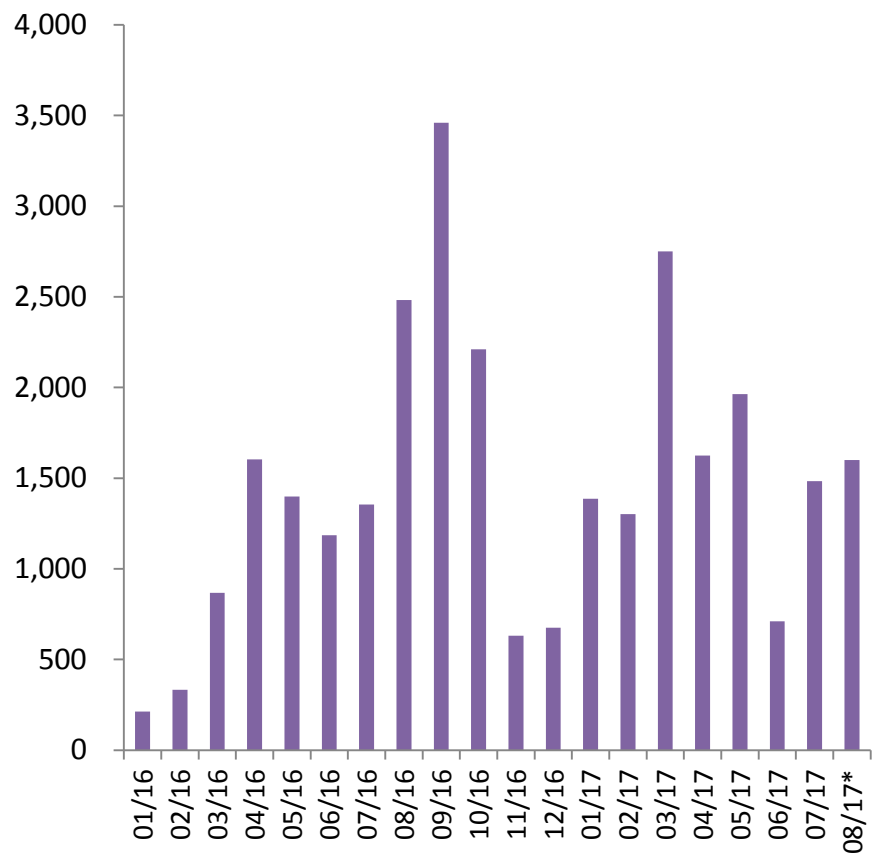
# Rental market is strong as well



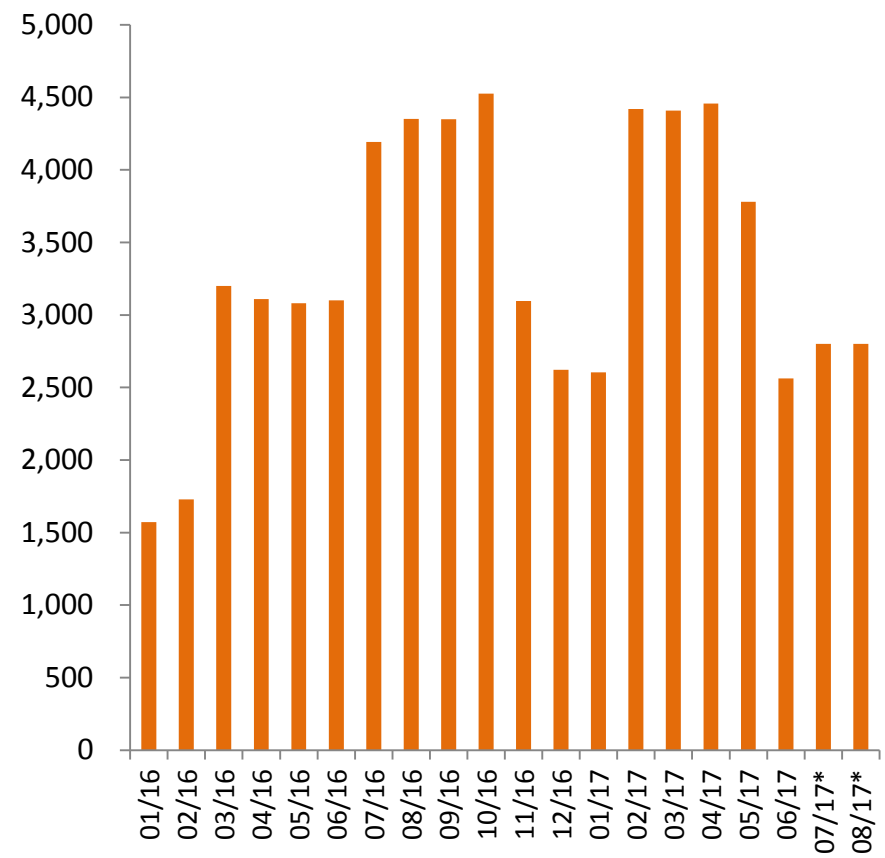
\*Provisional Figures  
 Source : Midland Property Data and Research Centre

# Market has softened recently

Primary Home Sales\*



Secondary Home Sale^



#Provisional Figures

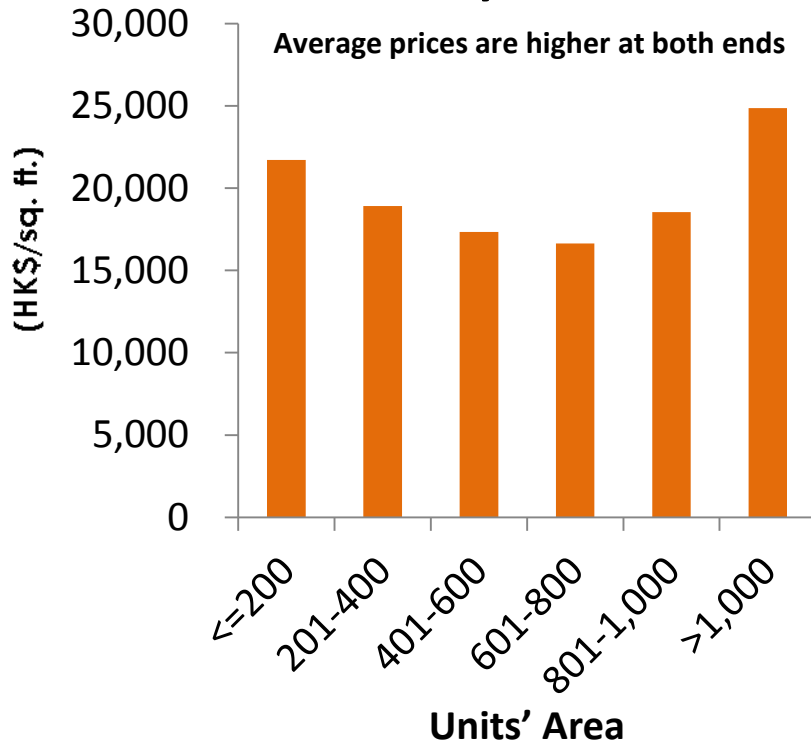
\*Based on the information in Sales of First-hand Residential Properties Electronic Platform. Default Transactions are excluded.

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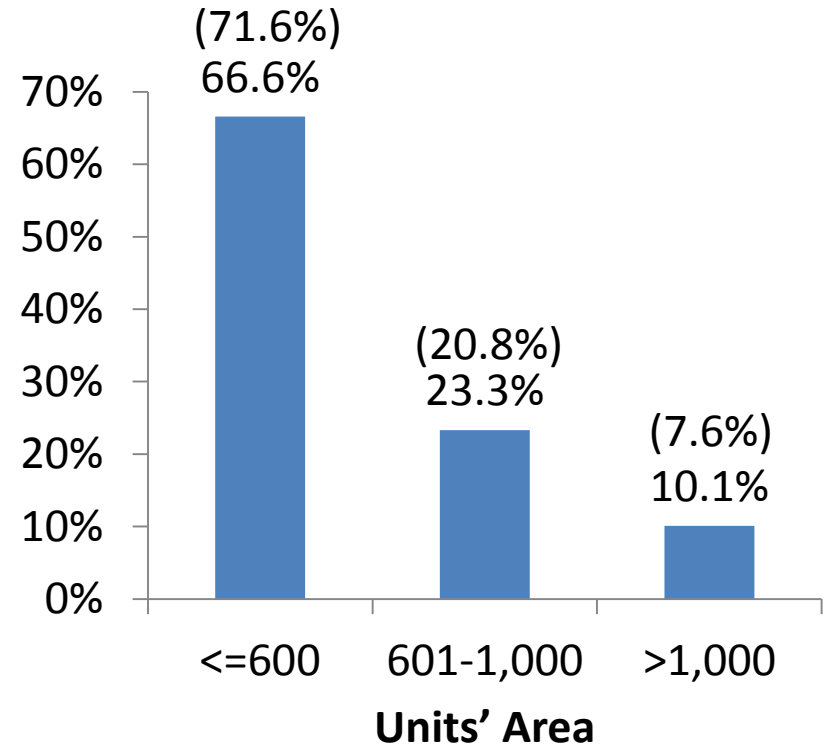
Source : Land Registry and Midland Property Data and Research Centre

# Market Di-polarization

## Average Transacted Price of Primary Units



## Breakdown of Primary Sales



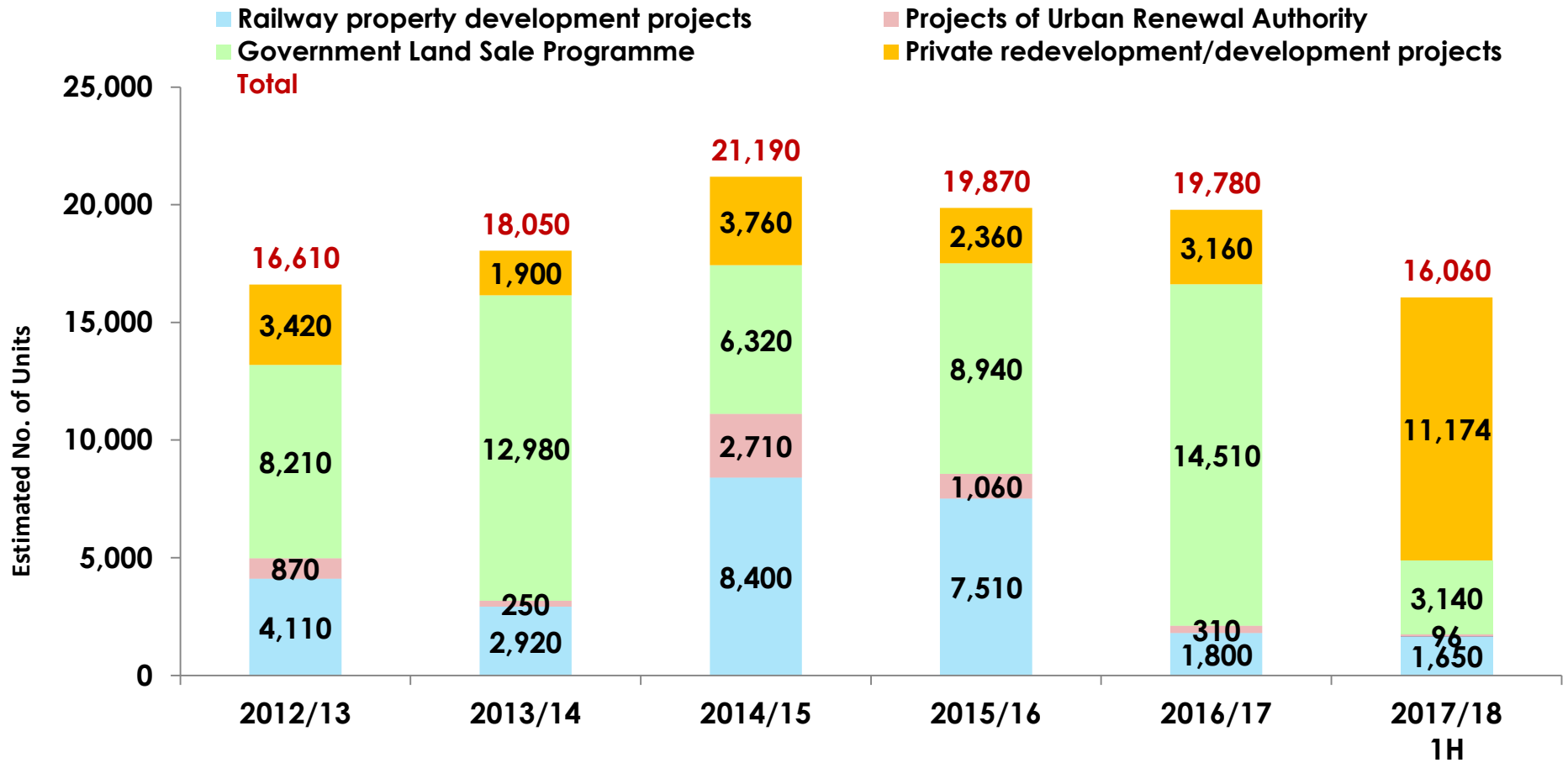
( ) 2016 Ratio  
Remarks : Up to 27 Aug

Based on the information in Sales of First-hand Residential Properties Electronic Platform. Default Transactions are excluded.

Source : Land Registry and Midland Property Data and Research Centre



# Increase in Land Supply

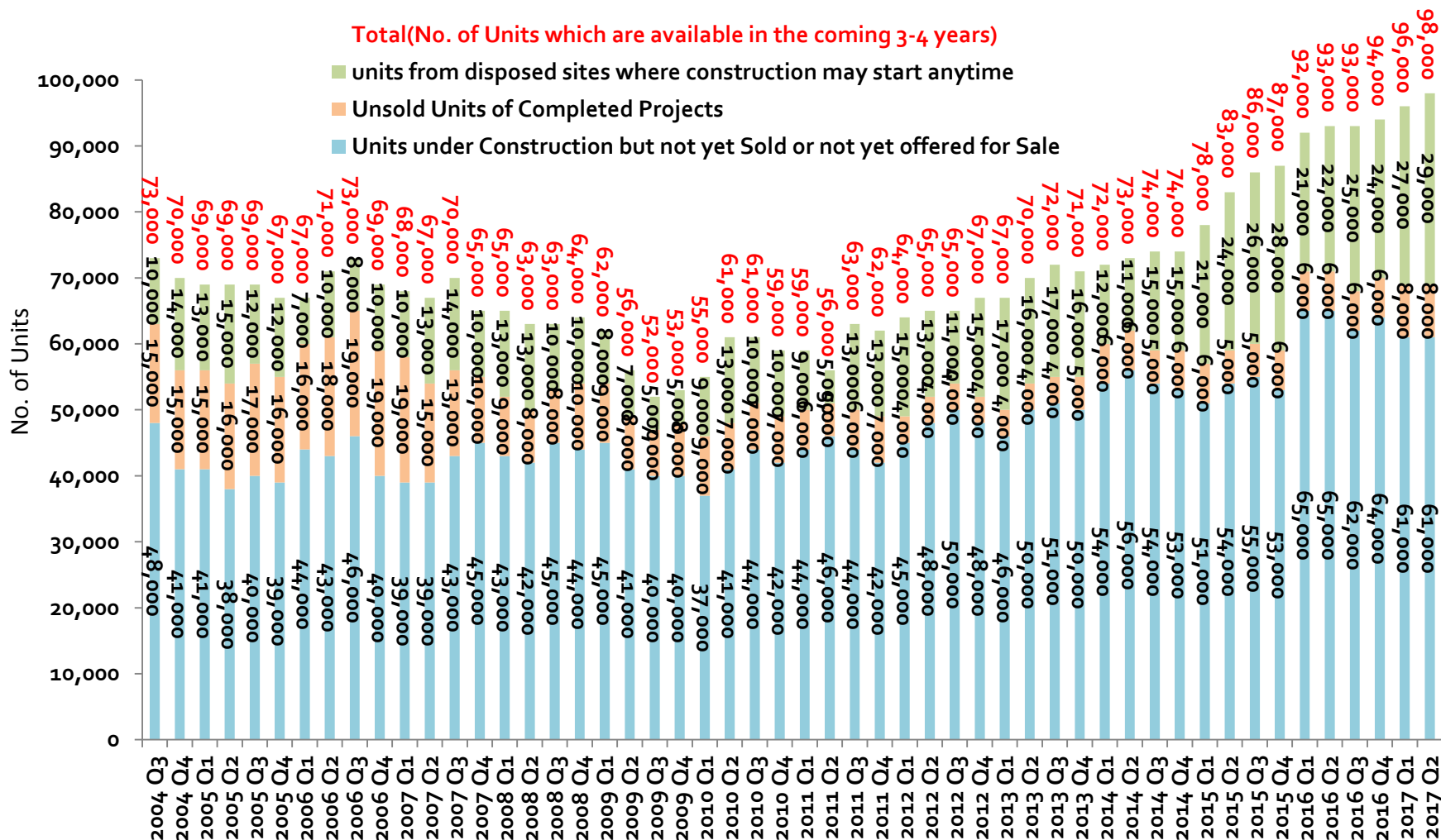


Remarks : (1) Actual flat number is subject to developers' design ; (2) The 2016-17 private housing land supply is forecast only, and will be adjusted at the end of the financial year with reference to the actual land supply.

Source : Development Bureau

Last Update Date : 23.6.2017

# Private Housing Supply in Primary Market



Source : Transport and Housing Bureau



# Where do the new projects come from?

Presale Consent Approved but not yet launched (up to 28.08.2017):

District	Address / Development Name	No. of Units
Peak	Mount Nicholson (Phase III)	24
South	45 Tai Tam Road	7
South	Deep Water Bay Drive, Shouson Hill	54
North Point	No. 133 Java Road (Phase 1B)	355
Shau Kei Wan	No. 1 Oi Tak Street	75
To Kwa Wan	Nos. 6 and 8 Kwoloon City Road and No. 44 Chi Kiang Street	175
Sham Shui Po	No. 538 Fuk Wing Street	136
Tseung Kwan O	Site O, No. 1 Lohas Park Road	1,040
Ma On Shan	No. 9 Yiu Sha Road (Phase 1)	353
Ma On Shan	No. 9 Yiu Sha Road (Phase 2)	67
Shatin	No. 37 Lai Ping Road	61
Shatin	No. 88 Lai Ping Road	59
Shatin	No. 8 Lok Lam Road, Fo Tan	12
Tuen Mun	Kwun Fat Street, Siu Lam	14
<b>Total</b>		<b>2,432</b>

Pending Approval of Presale Consent (up to Jul, 2017)\*:

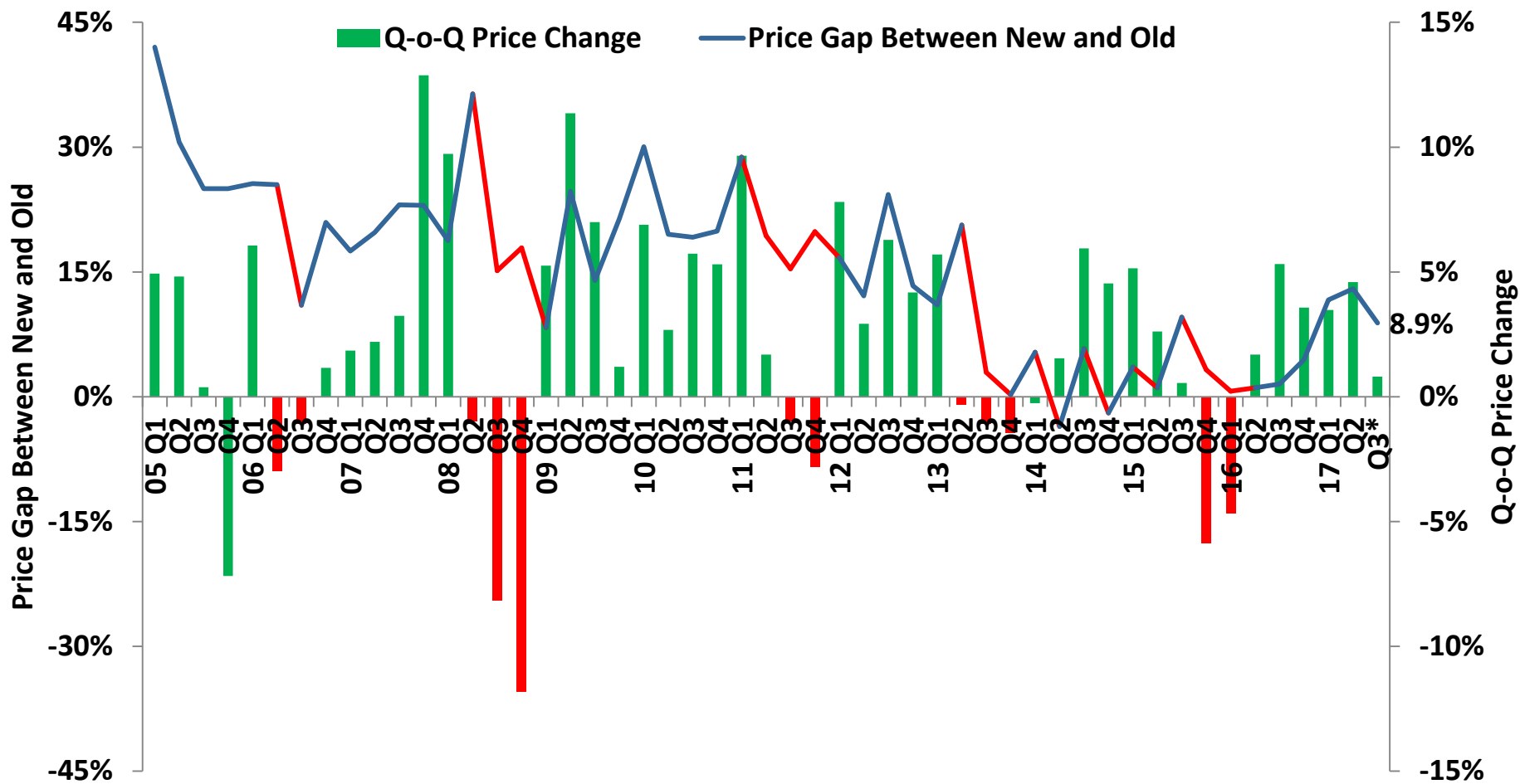
District	Address / Development Name	No. of Units
West Kowloon	No. 28 Sham Mong Road (Phase 3)	1,188
Kai Tak	No. 10 Muk Ning Street	648
Shatin	Tai Po Road, Tai Wai	336
Tai Po	Fo Chun Road, Pak Shek Kok	667
Tuen Mun	No. 2 Tsing Min Path	356
Tseung Kwan O	Site G, No. 1 Lohas Park Road	1,600
Tseung Kwan O	Site O, No. 1 Lohas Park Road	1,132
Others		2,423
<b>Total</b>		<b>8,350</b>

\*Including two subsidised housing with 620units.

Source : Lands Department & Midland Property Data and Research Centre








\*Provisional Figures

Source : Midland Property Data and Research Centre



# Market in 2H 2017

Primary Transaction Volume 

Secondary Transaction Volume 

Home Prices 



# Appendix I : Reasons for DIS

- Reward the support of the Shareholders. The last time that the Company paid a dividend to its Shareholders was in 2013. But the Group needs to preserve its cash resources for its business
- Allow the Shareholders to have a direct investment exposure through IC&I Group specializing in this high growth sector (IC & I sector)
- Both listed groups will be able to benefit from a greater clarity and better delineation of the management focus and formulate their corporate and business development strategies best suit to their own purposes
- Midland Holdings remains to be a Controlling Shareholder of IC&I. Cross referral services has been and will continue to be provided by the members of the Group and IC&I Group to each other
- The Shareholders will have direct beneficial ownerships in IC&I Shares
- This expansion of the shareholders' base of IC&I could bring about an overall improvement to the liquidity of the IC&I Shares



# Appendix II : Effects of DIS on P/L & Balance Sheet

- Midland Holdings' ownership of Midland ICI dropped from 70.78% to 44.58% after the Distribution.
- IC&I Group's financial results and assets and liabilities ceased to be consolidated into those of the Group's financial statements
- The Group accounts for the results and net assets of IC&I Group using equity accounting method after completion of the Distribution

## Profit and Loss

- P/L of Midland ICI was consolidated from 1 Jan 2016 to 22 Dec 2016.
- From 23 Dec 2016 to 31 Dec 2016, contributions from Midland ICI was reflected by the item of share of result of associates

## Balance Sheet

- The cash level of the group no long includes the amount of cash (HK\$658 m) held by Midland ICI after the deconsolidation
- At the balance sheet, the item of interests associates (HK\$325 m) represents 44.58% share of net asset of IC&I



# Thank You

