

Innovation is our momentum



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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

Ms. IP Kit Yee, Kitty

#### 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*  
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  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited  
Level 22, 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") is pleased to announce that for the six months ended 30 June 2017 (the "Interim Period"), it recorded a consolidated net profit attributable to equity holders of approximately HK\$115,667,000 compared with the consolidated net loss attributable to equity holders of approximately HK\$134,416,000 for the corresponding period of 2016.

The improvement in the Group's results was mainly attributable to:

1. the Group's strengthening of its market position in Hong Kong;
2. the increase in the number and value of residential sales transactions in Hong Kong which posted an appreciable increase in the first six months of 2017 as compared to that of 2016; and
3. an improvement in resources allocation which resulted in higher cost efficiency.

A point worth noting is that as a result of the payment of dividend by the distribution of the shares of Midland IC&I Limited ("Midland IC&I") in December 2016, Midland IC&I has turned from a subsidiary to an associate of the Group. Accordingly, the results of Midland IC&I are accounted for using the equity method in the first half of 2017.

### A buoyant primary property market

According to the figures from Land Registry, the number and value of residential property sales registrations increased by 61.3% and 96.9% respectively in the first half of the year. As expected, the primary market outperformed the secondary market again, registering a growth of 98.2% in transaction value.

In early 2016, the local property market was plagued mainly by problems ranging from the introduction of circuit breaker in mainland China to concerns about interest rate hikes in the US. But as those concerns abated, the property market has resumed an upward trend.

Despite the stringent capital control imposed by the Central Government, the continued tightening of the government measures and the concerns of interest rate hikes, the Hong Kong property market remained active throughout the first few months of the year on the back of abundant market liquidity under the persistent low interest rate environment.

The new home sector received continued support from end-users. The flexible and innovative mortgage plans provided by developers are highly attractive to some young buyers. Investment demand has also been stable. There was an upward trend of a single sale and purchase contract covering multiple new home purchases in the beginning of the year, and in response, the government introduced new measures in April to plug the loophole of tax saving for multiple flat purchases. However, the impacts of such new measures were not significant, and the sales performance of some new projects was still strong in May.

## Chairman's Statement (continued)

### Business Review (continued)

#### Strengthening market position in Hong Kong

Due to the market distortions stemming from government policies, the primary housing sector has kept on outperforming the secondary segment in the past few years. To capture the market opportunities, the Group has put in a lot of effort in enhancing our market position in the new home sector in Hong Kong. This year, we have continued to gain ground in this sector. For example, in the first half of 2017, Midland Realty was one of the best-selling property agencies for some new projects. In addition, Midland Realty also successfully secured some exclusive listings in the new home market and delivered good sales results.

The business environment of our mainland China operations remained challenging during the reporting period. More than half of our branches in mainland China are located in Shenzhen where the property market has been hard hit by government policies. According to the official figures, the volume of both primary and secondary home transactions in Shenzhen fell more than half in the first half of the year.

### Outlook

#### Favourable economic conditions

We are cautiously optimistic about the local property market. There are signs of improvement in market sentiment and economic confidence around the world. So far, the global political and economic landscape looks brighter than that in 2016. The weakening of the US dollar has provided support to the Asian economies. Moreover, the French election result and the positive prospect of its structural reform have improved the economic outlook of the Euro-Zone. Meanwhile, mainland China's economy has continued to grow healthily with its GDP growth exceeded market expectations in the first half of the year. We are confident that the Belt and Road initiatives will fuel the long-term development of the mainland China economy. However, lingering concerns arising from tensions between the US and North Korea, Brexit negotiations, stability of Trump's administration and the impacts of interest rate hikes and the long-anticipated shrinkage of the balance sheets of the US Federal Reserve and other major central banks would bring a lot of uncertainties to the world's financial markets.

Meantime, the local economy has been gaining strength and the Hong Kong's GDP in the first quarter of 2017 grew at the second fastest pace in almost six years. The buoyancy of the stock market and the increase of the tourist arrivals have fueled local consumption. These sound macro and local economic conditions should lift the confidence of the potential property buyers despite the possibility of interest rate hikes in Hong Kong.

# Chairman's Statement (continued)

## Outlook (continued)

### Steady increase in property prices

The overall property market activity has started to soften since June. In our view, the mild consolidation in transaction volume is mainly due to the fact that a huge amount of market demand has been absorbed since the second quarter of 2016. While the Group expects the market to turn active in the final quarter of this year, it is still early to ascertain whether the overall transaction volume in the second half could be as high as that in the first half.

After rising 19.6% during the 16-month period from March 2016 to June 2017, property prices are expected to increase marginally in the second half of this year. The primary market is likely to continue to outperform the secondary market, as the developers can offer mortgage financing with high loan-to-value ratios to buyers. Should there be no relaxation of the stringent lending requirements, we believe that it may be difficult for the secondary home market to return to normalcy in the near future.

Government housing policies are expected to remain as the most critical factor for the property market both in Hong Kong and mainland China. As property prices are still rising, it is not likely for the local government to loosen the housing policies. The Group is confident that the Hong Kong housing supply would become more stable in the future if the process of farm land conversion could be expedited. There have been some successful cases of farm land conversion, and if this trend continues, the new administration would be able to manage the property market by increasing land and housing supplies.

### Market di-polarization

While the overall secondary market has slowed down, the high-end sector has fared well recently. Both old money and wealthy mainlanders are interested in big-ticket items. The wealth effect created by the buoyance of the stock market is one of the driving forces. The continual integration between Hong Kong and mainland China has also strengthened the demand for high-end properties, and such integration is expected to further intensify after the completion of the Guangzhou-Shenzhen-Hong Kong Express Rail Link in 2018. Accordingly, the high-end segment is likely to stay active in the second half.

The Group also believes that the end-user demand would remain strong at the low-end of the market, and transaction activities of this segment are likely to pick up after the recent mild consolidation.

## Appreciation

The market is full of uncertainties as well as opportunities. After my re-designation as an Executive Director in March this year, I have been working closely with the senior management in leading the Group to reach new heights. I would like to take this opportunity to express my gratitude to all the staff for their hard work and dedication and to all our shareholders and customers for their continued support.

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

## Strategic Review and Planning

Property agency business remains very competitive in both Hong Kong and mainland China. In Hong Kong, the business environment is tough. Our local major competitors are expanding their online as well as offline networks. The Hong Kong market is still attractive to some strong established national players as part of their globalization plan. Their huge investment in building IT platforms with significant capital injections are intensifying competitive landscape in China. Since successful agencies in mainland China are strong in IT and online platform, our mainland operation plans to review its resource allocation policies so as to sharpen its edges on the technological front. We believe that our strong leadership, solid management capability, comprehensive sales platform, effective talent retention programme, good corporate governance and a well-established household brand name are the essentials for us to stay ahead of our competitors.

### Improvement in Resources Allocation and Productivity

The Group has continued to make progress in resources allocation. One palpable achievement was the reallocation of resources from traditional advertisement and promotion to online marketing channels.

Staff productivity also increased during the reporting period. Apart from the improvement in the market activity, the Group has also strengthened its staff recruitment programme to enhance the quality of its human resources.

### A New 3-Year Plan

The Group has made good progress with the three-year plan formulated at the end of 2013, and the key achievements include:

1. *Review on commission scheme*

Timely and flexible short-term incentive schemes were devised to incentivise our frontline staff and to align their focus with the needs of the primary market. This measure has been one of the key drivers for Midland Realty to gain market share in the primary market.

2. *Reorganise the talent pool*

The local residential division was reorganised and several veteran sales management were promoted to strengthen our sales management team a few years ago. The incumbent senior frontline management team is adaptive to market changes and responsive to corporate needs. Their accomplishment attests to the success of the Group's corporate value of rewarding good performance with promotion. Under their leadership, staff recruitment and retention programmes have become more effective.

3. *Streamline the workflow*

A new functional unit called the Business Process Team has been established to enhance the efficiency of the frontline operations.



## Strategic Review and Planning (continued)

### A New 3-Year Plan (continued)

#### 4. *Enhance productivity*

Productivity of our local frontline staff improved remarkably this year. The growth was attributable to factors ranging from the increase in market transaction volume, strengthened market position, e-marketing to IT applications. Our digital marketing efforts have generated lucrative sales leads for our frontline staff and expanded their reach. In addition, “Making a deal”, our internal app has fostered information flow among our staff, and boosted the chance of business referrals.

#### 5. *Review the branch network*

The Group has strengthened its branch network management, and the size of our branch network in Hong Kong has been maintained at an optimal level. Meantime, the Group has put more resources on bargaining with landlords on leases.

#### 6. *Boost staff morale*

The Group has long pursued the employee-oriented corporate culture and in recent years put in a lot of efforts in boosting staff morale. The “Elite Club”, a prestige privileges programme for the best-performing sales has been reinvigorated, and the Loyal Staff Club was also established to provide various staff activities and benefits for our long service staff.

Looking ahead, the management will not rest on laurels and will continue the pursuit of market opportunities with a new three-year plan which includes:

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

**WONG Ching Yi, Angela**  
*Deputy Chairman and Managing Director*

Hong Kong, 30 August 2017



# Management Discussion and Analysis

## Liquidity and Financial Resources

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

As at 30 June 2017, the Group had cash and bank balances of HK\$1,693,008,000 (as at 31 December 2016: HK\$876,490,000). As at 30 June 2017, the interest-bearing bank borrowings of the Group amounted to HK\$969,500,000 (as at 31 December 2016: HK\$355,600,000) and with maturity profile set out as follows:

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
<b>Repayable</b>		
Within 1 year	969,500	355,600

As at 30 June 2017, the gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, was 74.9% (as at 31 December 2016: 30.0%). 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 1.2 (as at 31 December 2016: 1.2). The return on equity, which is the ratio of profit/(loss) for the period over the total equity of the Group, was 8.94% (six months ended 30 June 2016: -9.79%).

As at 30 June 2017, the Group has unutilised borrowing facilities amounting to approximately HK\$1,275,500,000 (as at 31 December 2016: HK\$1,464,400,000) 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 2017, certain land and buildings and investment properties held by the Group of HK\$61,233,000 (as at 31 December 2016: HK\$61,786,000) and HK\$59,750,000 (as at 31 December 2016: HK\$58,510,000) 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\$2,233,839,000 (as at 31 December 2016: HK\$1,850,736,000).

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.

## Management Discussion and Analysis (continued)

### Liquidity and Financial Resources (continued)

The Group's business is 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 2017, the Company executed corporate guarantee of HK\$2,287,000,000 (as at 31 December 2016: HK\$1,862,000,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2017, banking facilities of HK\$990,968,000 were utilised by the subsidiaries (as at 31 December 2016: HK\$367,177,000).

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

### Employee Information

As at 30 June 2017, the Group employed 9,567 full-time employees (as at 31 December 2016: 9,267) of which 8,359 were sales agents, 625 were back office supportive employees and 583 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 2017, 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 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 ordinary shares		Number of underlying shares		Total	Approximate percentage of the issued voting shares of the Company
	Personal interest/Beneficial owner	Corporate interest/Interest of controlled corporation	Personal interest/Beneficial owner (Note 1)	Family interest/Interest of spouse (Note 3)		
Mr. WONG Kin Yip, Freddie	24,490,000	161,340,144 (Note 2)	7,209,160	7,209,160 (Note 3)	200,248,464	27.89%
Ms. WONG Ching Yi, Angela	-	-	7,209,160	-	7,209,160	1.00%
Mr. SUN Tak Chiu	-	-	150,000	-	150,000	0.02%

#### Notes:

- These underlying shares were held by the Director(s) by virtue of the interests in the share options of the Company granted to him/her.
- These shares were held by Sunluck Services Limited which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited.
- These underlying shares were held by Ms. TANG Mei Lai, Metty, the spouse of Mr. WONG Kin Yip, Freddie, by virtue of the interests in the share options of the Company granted to her.
- Details of the share options granted by the Company to the above Directors and Ms. TANG Mei Lai, Metty are set out in the sub-section headed "2002 Share Option Scheme" under the section headed "Share Option Schemes" in this interim report.

## 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 ordinary shares			Number of underlying shares			Approximate percentage of the issued voting shares of associated corporation
		Personal interest/Beneficial owner	Corporate interest/Interest of controlled corporation	Family interest/Interest of spouse	Personal interest/Beneficial owner (Note 5)	Corporate interest/Interest of controlled corporation	Total	
Midland IC&I	Mr. WONG Kin Yip, Freddie	12,245,000	515,452,680 (Note 6)	-	-	434,782,608 (Note 7)	962,480,288	53.31%
Midland IC&I	Mr. WONG Tsz Wa, Pierre	200,000	-	132,000 (Note 8)	9,000,000	-	9,332,000	0.52%
Midland IC&I	Mr. CHEUNG Kam Shing	-	-	-	1,000,000	-	1,000,000	0.06%
Midland IC&I	Ms. IP Kit Yee, Kitty	-	-	-	1,000,000	-	1,000,000	0.06%

## 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 (continued)

Notes:

5. These underlying shares were held by the Director(s) by virtue of the interests in the share options of Midland IC&I granted to him/her as follows:

Name	Date of grant	Exercise price per share HK\$	Number of share options		Exercisable period
			As at 1 January 2017	As at 30 June 2017	
Mr. WONG Tsz Wa, Pierre	10 December 2014	0.44	30,000,000	3,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	30,000,000	3,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	30,000,000	3,000,000	15 December 2016 to 14 December 2019
Mr. CHEUNG Kam Shing	10 December 2014	0.44	5,000,000	500,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	5,000,000	500,000	15 December 2016 to 14 December 2019
Ms. IP Kit Yee, Kitty	10 December 2014	0.44	3,330,000	333,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	3,330,000	333,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	3,340,000	334,000	15 December 2016 to 14 December 2019

- # Immediately upon the share consolidation of Midland IC&I becoming effective from 28 June 2017, the exercise price of the outstanding share options was adjusted from HK\$0.044 per share to HK\$0.44 per share and the number of shares of Midland IC&I comprised in the outstanding share options which may be allotted and issued upon exercise was also adjusted on the basis that every ten (10) shares of Midland IC&I of HK\$0.01 each be consolidated into one (1) share of Midland IC&I of HK\$0.1 each.

## 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 (continued)

Notes: (continued)

6. 80,670,072 shares were held by Sunluck Services Limited which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited and 434,782,608 shares were held by Wealth Builder Holdings Limited ("Wealth Builder"), which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Luck Gain Holdings Limited.
7. Such interests in underlying shares (being unlisted physically settled derivatives) represent 434,782,608 shares to be issued to Wealth Builder upon exercise of the conversion right attached to the convertible note due 2021 in principal amount of HK\$200 million at conversion price at HK\$0.46 issued by Midland IC&I pursuant to an acquisition agreement dated 10 January 2017.
8. These shares represent the shares of Midland IC&I 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 2017, 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 2017, 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 shareholder	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Southern Field Trading Limited <i>(Note 1)</i>	161,340,144 (L)	Interest of controlled corporation/ Corporate interest	22.47%
Sunluck Services Limited <i>(Note 1)</i>	161,340,144 (L)	Beneficial owner/Beneficial interest	22.47%
Apex Benchmark Limited <i>(Note 2)</i>	75,666,000 (L)	Beneficial owner/Beneficial interest	10.54%
Edgbaston Asian Equity Trust <i>(Note 2)</i>	43,460,000 (L)	Beneficial owner/Beneficial interest	6.05%
Edgbaston Investment Partners LLP <i>(Note 2)</i>	59,864,000 (L)	Investment manager/Other interest	8.34%
Hosking Partners LLP <i>(Note 2)</i>	43,213,194 (L)	Investment manager/Other interest	6.02%
Massachusetts Financial Services Company <i>(Note 3)</i>	82,025,000 (L)	Investment manager/Other interest	11.42%
Sun Life Financial, Inc. <i>(Note 3)</i>	82,025,000 (L)	Investment manager/Other interest	11.42%
UBS AG <i>(Note 4)</i>	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 of controlled corporation/ Corporate interest	3.45%
	4,035,548 (S)	Beneficial owner/Beneficial interest	0.56%
	24,272,000 (S)	Interest of controlled corporation/ Corporate interest	3.38%



## Other Information (continued)

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

Name of substantial shareholder	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 7)</i>	7,209,160 (L) <i>(Note 5)</i>	Beneficial owner/Beneficial interest	1.00%
	193,039,304 (L) <i>(Note 6)</i>	Interest of spouse/Family interest	26.89%

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 Kin Yip, Freddie in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".
- Such long position includes interests in ordinary shares only.
- Details of the interest in long position of the 82,025,000 shares in which Sun Life Financial, Inc. ("SLF") was deemed to be interested were as follows:
 

Massachusetts Financial Services Company ("MFS") held (through itself and its 100% controlled corporations) an aggregate of 82,025,000 shares. MFS was a 93.36% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. which was a 99.89% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(US)I"). SLF(US)I was a wholly-owned subsidiary of Sun Life Financial (U.S.) Holdings, Inc. which was a wholly-owned subsidiary of Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc. ("SLACC"). SLACC was a wholly-owned subsidiary of Sun Life Global Investments Inc. which was a wholly-owned subsidiary of SLF.

MFS was a subsidiary of SLF. Accordingly, MFS's interest in 82,025,000 shares was duplicated with the interest of SLF.
- The interest of UBS AG included derivative interest in 530,000 shares of the Company (being long position and unlisted physically settled derivatives).
- These are underlying shares held by Ms. TANG Mei Lai, Metty by virtue of the interests in the share options of the Company granted to her.
- Such interests comprise (i) 185,830,144 shares held directly and indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty; and (ii) 7,209,160 underlying shares held by Mr. WONG Kin Yip, Freddie by virtue of the interests in the share options of the Company granted to him.
- The 185,830,144 shares and 14,418,320 underlying shares held by Ms. TANG Mei Lai, Metty relate to the same block of shares and underlying shares of the Company as disclosed under Mr. WONG Kin Yip, Freddie in the section headed "Director's and Chief Executive's interests and Short Positions in Shares, Underlying Shares and Debentures". Details of the share option granted by the Company to Ms. TANG Mei Lai, Metty and her spouse, Mr. WONG Kin Yip, Freddie, are set out in the sub-section headed "2002 Share Option Scheme" under the section headed "Share Option Schemes" in this interim report.

Save as disclosed above, as at 30 June 2017, 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.

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

Name	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 30 June 2017	Exercisable period
			Balance outstanding as at 1 January 2017	Granted during the Interim Period	Cancelled/lapsed during the Interim Period	Exercised during the Interim Period		
<b>Current Directors</b>								
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. 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. SUN Tak Chiu	21 July 2011	4.29	150,000	-	-	-	150,000	1 August 2011 to 31 July 2019
<b>Former Directors</b>								
Ms. TANG Mei Lai, Metty (Former Executive Director)	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 (Former Independent Non-Executive Director)	21 July 2011	4.29	150,000	-	-	-	150,000	1 August 2011 to 31 July 2019
Total			21,927,480	-	-	-	21,927,480	

No share options of the Company were granted, exercised, cancelled or lapsed under the 2002 Share Option Scheme during the Interim Period.

## Other Information (continued)

### Share Option Schemes (continued)

#### 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").

There were no share options outstanding under the 2016 Share Option Scheme during the Interim Period nor was any share option granted, exercised, cancelled or lapsed under the 2016 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.

### Interim Dividend

The board of Directors (the "Board") does not declare an interim dividend for the Interim Period (for the six months ended 30 June 2016: 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 interim financial information of the Group for the Interim Period from pages 19 to 39 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 "HKICPA"). The audit committee has also reviewed this interim report.

### Change in Composition of the Board

1. Ms. TANG Mei Lai, Metty retired as an Executive Director with effect from the conclusion of the annual general meeting of the Company (the "AGM") held on 28 June 2017.
2. Mr. KOO Fook Sun, Louis retired as an Independent Non-Executive Director and ceased to be the chairman of the Audit Committee and the Nomination Committee, and the member of the Remuneration Committee of the Company with effect from the conclusion of the AGM held on 28 June 2017.
3. Mr. HO Kwan Tat, Ted has been appointed as an Independent Non-Executive Director, the chairman of the Audit Committee and the Nomination Committee, and the member of the Remuneration Committee of the Company with effect from the conclusion of the AGM held on 28 June 2017. Under Mr. HO's appointment letter with the Company, he is entitled to an annual director's fee of HK\$260,000.

## Other Information (continued)

### **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 2017

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenues	4	2,778,018	2,105,323
Other income/(loss)	5	8,525	(612)
Staff costs		(1,399,635)	(1,291,667)
Rebate incentives		(753,856)	(377,794)
Advertising and promotion expenses		(27,174)	(43,073)
Operating lease charges in respect of office and shop premises		(300,903)	(310,539)
Impairment of receivables		(34,051)	(54,640)
Depreciation and amortisation costs		(23,088)	(24,348)
Other operating costs		(125,960)	(147,282)
Operating profit/(loss)	6	121,876	(144,632)
Finance income		550	1,372
Finance costs		(11,590)	(3,135)
Share of results of joint ventures		13,703	3,329
Share of results of associates		16,660	–
Profit/(loss) before taxation		141,199	(143,066)
Taxation	7	(25,532)	5,998
Profit/(loss) for the period		115,667	(137,068)
Profit/(loss) attributable to:			
Equity holders		115,667	(134,416)
Non-controlling interests		–	(2,652)
		115,667	(137,068)
Earnings/(loss) per share	9	HK cents	HK cents
Basic		16.11	(18.72)
Diluted		15.95	(18.72)

## Condensed Consolidated Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Profit/(loss) for the period	115,667	(137,068)
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(6,587)	5,216
Change in fair value of available-for-sale financial assets	1,127	1,476
	<u>(5,460)</u>	<u>6,692</u>
Total comprehensive income/(loss) for the period, net of tax	<u>110,207</u>	<u>(130,376)</u>
Total comprehensive income/(loss) for the period attributable to:		
Equity holders	110,207	(127,724)
Non-controlling interests	<u>–</u>	<u>(2,652)</u>
	<u>110,207</u>	<u>(130,376)</u>

# Condensed Consolidated Balance Sheet (Unaudited)

AS AT 30 JUNE 2017

	Note	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	10	134,123	134,473
Investment properties	10	91,014	87,399
Land use rights		1,137	1,117
Interests in joint ventures		81,982	68,279
Interests in associates		345,053	325,129
Available-for-sale financial assets		9,249	10,449
Deferred taxation assets		18,418	20,467
		<u>680,976</u>	<u>647,313</u>
<b>Current assets</b>			
Trade and other receivables	11	2,641,627	2,219,865
Taxation recoverable		243	777
Cash and bank balances	12	1,693,008	876,490
		<u>4,334,878</u>	<u>3,097,132</u>
<b>Total assets</b>		<u>5,015,854</u>	<u>3,744,445</u>



# Condensed Consolidated Balance Sheet (Unaudited) (continued)

AS AT 30 JUNE 2017

		As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
	Note		
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	13	71,805	71,805
Share premium		223,505	223,505
Reserves		998,438	888,231
<b>Total equity</b>		<u>1,293,748</u>	<u>1,183,541</u>
<b>Non-current liabilities</b>			
Deferred taxation liabilities		<u>3,577</u>	<u>3,230</u>
<b>Current liabilities</b>			
Trade and other payables	14	2,721,060	2,196,049
Borrowings		969,500	355,600
Taxation payable		27,969	6,025
		<u>3,718,529</u>	<u>2,557,674</u>
<b>Total liabilities</b>		<u>3,722,106</u>	<u>2,560,904</u>
<b>Total equity and liabilities</b>		<u>5,015,854</u>	<u>3,744,445</u>

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to equity holders of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total HK\$'000		
At 1 January 2017	71,805	223,505	888,231	1,183,541	–	1,183,541
Comprehensive income						
Profit for the period	–	–	115,667	115,667	–	115,667
Other comprehensive loss/(income)						
Currency translation differences	–	–	(6,587)	(6,587)	–	(6,587)
Change in fair value of available-for-sale financial assets	–	–	1,127	1,127	–	1,127
Total comprehensive income	–	–	110,207	110,207	–	110,207
At 30 June 2017	71,805	223,505	998,438	1,293,748	–	1,293,748
At 1 January 2016	71,805	223,505	1,033,062	1,328,372	201,635	1,530,007
Comprehensive loss						
Loss for the period	–	–	(134,416)	(134,416)	(2,652)	(137,068)
Other comprehensive income						
Currency translation differences	–	–	5,216	5,216	–	5,216
Change in fair value of available-for-sale financial assets	–	–	1,476	1,476	–	1,476
Total comprehensive loss	–	–	(127,724)	(127,724)	(2,652)	(130,376)
Transactions with owners						
Employee share option scheme – value of employee services	–	–	149	149	62	211
	–	–	149	149	62	211
At 30 June 2016	71,805	223,505	905,487	1,200,797	199,045	1,399,842

## Condensed Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Net cash generated from/(used in) operating activities	216,313	(254,495)
Net cash (used in)/generated from investing activities	(18,395)	4,485
Net cash generated from financing activities		
– Proceeds from borrowings	7,458,450	1,870,400
– Repayments of borrowings	(6,844,550)	(1,497,720)
Net increase in cash and cash equivalents	811,818	122,670
Cash and cash equivalents at 1 January	876,490	1,303,066
Exchange differences	4,700	(4,236)
Cash and cash equivalents at 30 June	<u>1,693,008</u>	<u>1,421,500</u>

# Notes to the 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 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 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.

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 on 30 August 2017.

## 2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 3 Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except that the Group has adopted the following amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31 December 2017.

### (a) Amendments effective in 2017

Annual Improvements Project	Annual Improvements 2014-2016 Cycle
HKAS 7 (amendments)	Disclosure Initiative
HKAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above amendments to existing standards did not have significant effect on the financial information or result in any significant changes in the Group’s significant accounting policies, except for certain changes in presentation and disclosures.

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

### 3 Significant accounting policies (continued)

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

The following new standards, interpretation and amendments to standards have been issued but are not effective for 2017 and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
Annual Improvements Project	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The expected impacts from the adoption of the above standards, interpretation and amendments are still being assessed by the management, and management is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

### 4 Revenues and segment information

#### (a) Revenues

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Agency fee	2,768,323	2,094,885
Immigration consultancy services	7,259	7,732
Rental income	1,650	1,796
Web advertising	111	108
Other services	675	802
	2,778,018	2,105,323

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

### 4 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 reports in order to assess performance and allocate resources. The Executive Directors determined the operating segments based on these reports.

The Executive Directors assess 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, immigration consultancy services and mortgage referral services.

	Six months ended 30 June 2017			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	2,706,715	61,608	13,511	2,781,834
Inter-segment revenues	–	–	(3,816)	(3,816)
Revenues from external customers	2,706,715	61,608	9,695	2,778,018
Segment results	135,983	9,865	21,430	167,278
Impairment of receivables	(32,698)	(1,353)	–	(34,051)
Depreciation and amortisation costs	(20,596)	(1,900)	(360)	(22,856)
Share of results of joint ventures	–	–	13,703	13,703
Share of results of associates	–	16,660	–	16,660
Fair value gain on investment properties	–	–	2,604	2,604
Additions to non-current assets	21,435	–	40	21,475

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

## 4 Revenues and segment information (continued)

## (b) Segment information (continued)

	Six months ended 30 June 2016			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	1,847,658	310,616	14,254	2,172,528
Inter-segment revenues	(56,538)	(6,851)	(3,816)	(67,205)
Revenues from external customers	1,791,120	303,765	10,438	2,105,323
Segment results	(112,293)	(18,618)	5,010	(125,901)
Impairment of receivables	(44,343)	(10,297)	–	(54,640)
Depreciation and amortisation costs	(19,844)	(3,412)	(494)	(23,750)
Share of results of joint ventures	–	–	3,329	3,329
Fair value loss on investment properties	–	–	(1,191)	(1,191)
Additions to non-current assets	26,902	115	28	27,045



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

### 4 Revenues and segment information (continued)

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

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, realised gain/(loss) on available-for-sale financial assets, gain on dilution of equity interests in associates, 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 condensed consolidated income statement.

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Segment results for reportable segments	167,278	(125,901)
Corporate expenses	(18,506)	(14,722)
Realised gain/(loss) on available-for-sale financial assets	203	(680)
Gain on dilution of equity interests in associates	3,264	–
Finance income	550	1,372
Finance costs	(11,590)	(3,135)
	<hr/>	<hr/>
Profit/(loss) before taxation per consolidated income statement	141,199	(143,066)

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

## 4 Revenues and segment information (continued)

## (b) Segment information (continued)

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and available-for-sale financial assets, 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 2017			
	Property agency			
	Residential properties	Commercial and industrial properties and shops	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	3,937,875	383,217	194,185	4,515,277
Segment assets include:				
Interests in joint ventures	–	–	81,982	81,982
Interests in associates	–	345,053	–	345,053
Segment liabilities	2,669,816	54,588	20,076	2,744,480

	As at 31 December 2016			
	Property agency			
	Residential properties	Commercial and industrial properties and shops	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2,767,027	349,425	176,798	3,293,250
Segment assets include:				
Interests in joint ventures	–	–	68,279	68,279
Interests in associates	–	325,129	–	325,129
Segment liabilities	2,122,591	43,249	20,165	2,186,005

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

### 4 Revenues and segment information (continued)

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

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Segment assets	4,515,277	3,293,250
Corporate assets	472,910	420,279
Deferred taxation assets	18,418	20,467
Available-for-sale financial assets	9,249	10,449
Total assets per consolidated balance sheet	<u>5,015,854</u>	<u>3,744,445</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Segment liabilities	2,744,480	2,186,005
Corporate liabilities	974,049	371,669
Deferred taxation liabilities	3,577	3,230
Total liabilities per consolidated balance sheet	<u>3,722,106</u>	<u>2,560,904</u>

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

## 4 Revenues and segment information (continued)

## (b) Segment information (continued)

Geographical information:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Hong Kong and Macau	2,330,836	1,470,706
The PRC	447,182	634,617
Revenues from external customers	<u>2,778,018</u>	<u>2,105,323</u>

Revenues are attributed to the locations where transactions take place.

## 5 Other income/(loss)

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Fair value gain/(loss) on investment properties	2,604	(1,191)
Realised gain/(loss) on available-for-sale financial assets	203	(680)
Gain on dilution of equity interests in associates (Note)	3,264	–
Others	2,454	1,259
	<u>8,525</u>	<u>(612)</u>

Note:

During the period, Midland IC&I Limited ("IC&I"), a listed associate of the Company, issued new shares to a company wholly-owned by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), a director of the Company, pursuant to a transaction entered into between IC&I and Mr. WONG. After the completion of the transaction in March 2017, the Group's equity interests in IC&I was diluted from 44.58% to 33.84% which resulted in a gain on dilution of equity interests.

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

### 6 Operating profit/(loss)

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Loss on disposal of property and equipment	133	454

### 7 Taxation

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	23,229	2,901
Overseas	(93)	40
Deferred	2,396	(8,939)
	<u>25,532</u>	<u>(5,998)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 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.

### 8 Dividends

The Board does not declare an interim dividend for the period (six months ended 30 June 2016: Nil).

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

**9 Earnings/(loss) per share**

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders for the calculation of basic earnings/(loss) per share	115,667	(134,416)
Adjustment on the effect of dilutive events of associates	(1,116)	–
Profit/(loss) attributable to equity holders for the calculation of diluted earnings/(loss) per share	114,551	(134,416)
Number of shares for the calculation of basic earnings/(loss) per share (thousands)	718,046	718,046
Effect on conversion of share options (thousands)	–	–
Number of shares for the calculation of diluted earnings/(loss) per share (thousands)	718,046	718,046
Basic earnings/(loss) per share (HK cents)	16.11	(18.72)
Diluted earnings/(loss) per share (HK cents)	15.95	(18.72)

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

In calculating the diluted earnings/(loss) per share, the profit/(loss) attributable to equity holders is adjusted to assume the conversion of all dilutive potential ordinary shares from share options and convertible note of its associate. Adjustments have been made to profit/(loss) attributable to equity holders to reflect the dilutive impact in respect of the exercise of share options and convertible note issued by the Group's associate. 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 share options and convertible note of the associate does not affect the number of shares of the Company.

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

### 10 Property and equipment and investment properties

Land and buildings with net book value of HK\$61,233,000 (as at 31 December 2016: HK\$61,786,000) and investment properties with net book value of HK\$59,750,000 (as at 31 December 2016: HK\$58,510,000) 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.

During the period ended 30 June 2016, an investment property was disposed at a consideration of HK\$15,800,000.

### 11 Trade and other receivables

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Trade receivables	2,482,136	2,090,269
Less: provision for impairment	(181,321)	(182,143)
Trade receivables, net	2,300,815	1,908,126
Other receivables, prepayments and deposits	340,812	311,739
	<u>2,641,627</u>	<u>2,219,865</u>

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 2017 HK\$'000	As at 31 December 2016 HK\$'000
Not yet due	2,260,103	1,859,402
Less than 30 days	17,569	26,394
31 to 60 days	11,113	8,936
61 to 90 days	4,401	6,365
Over 90 days	7,629	7,029
	<u>2,300,815</u>	<u>1,908,126</u>

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

### 11 Trade and other receivables (continued)

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\$2,233,839,000 as at 30 June 2017 (as at 31 December 2016: HK\$1,850,736,000).

### 12 Cash and bank balances

As at 30 June 2017, the cash and bank balances include cashier orders amounting to HK\$1,304,660,000 (as at 31 December 2016: HK\$558,500,000).

### 13 Share capital

	Number of issued shares (HK\$0.10 each)	Nominal value HK\$'000
At 31 December 2016 and 30 June 2017	718,046,005	71,805

### 14 Trade and other payables

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Commissions and rebate payables	2,202,049	1,771,002
Other payables and accruals	519,011	425,047
	<u>2,721,060</u>	<u>2,196,049</u>

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$370,167,000 (as at 31 December 2016: HK\$276,199,000) 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 Group's trade and other payables are mainly denominated in Hong Kong dollars and Renminbi.



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

### 15 Capital commitment

The Group did not have any significant capital commitment as at 30 June 2017 and 31 December 2016.

### 16 Contingent liabilities

As at 30 June 2017, the Company executed corporate guarantees of HK\$2,287,000,000 (as at 31 December 2016: HK\$1,862,000,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2017, banking facilities of HK\$990,968,000 were utilised by the subsidiaries (as at 31 December 2016: HK\$367,177,000).

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

## Notes to the 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	
		2017 HK\$'000	2016 HK\$'000
Agency fee income from associates	(i)	41,745	–
Rebate incentives to associates	(ii)	(12,076)	–
Operating lease rental expenses to associates in respect of office premise	(iii)	(1,238)	–
Service fee paid to associates	(iv)	(692)	–
Operating lease rental expenses to related companies in respect of office and shop premises	(v)	<u>(2,637)</u>	<u>(4,745)</u>

#### 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 commission for property agency transactions referred by associates on terms mutually agreed by both parties.
- (iii) The Group entered into operating lease agreements with associates on terms mutually agreed by both parties.
- (iv) During the period ended 30 June 2017, service fee paid to associates represented service fee for assistance provided by associates in procuring the issuance of cashier's orders to prospective purchasers of primary residential properties referred by the Group. The service fee is charged on terms mutually agreed by both parties.
- (v) The Group entered into certain operating lease agreements with certain related companies owned by Mr. WONG, who is the director of the Company and also the spouse of Ms. TANG Mei Lai, Metty and father of Ms. WONG Ching Yi, Angela, 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 2017, the expenses shared by the associates amounted to HK\$5,275,000 (six months ended 30 June 2016: Nil).

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

### 17 Significant related party transactions (continued)

(b) The balances with related parties included in trade receivables and trade payables are as follows:

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Amounts due from associates	70,562	77,181
Amounts due to associates	<u>(17,576)</u>	<u>(23,596)</u>

(c) Key management compensation

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Fees, salaries, allowances and incentives	19,421	9,184
Share-based benefits	–	171
Retirement benefit costs	35	35
	<u>19,456</u>	<u>9,390</u>

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

## Additional Financial Information

On 6 December 2016, the Company declared a dividend, satisfied by distribution in specie of the shares of IC&I held by the Group to the shareholders of the Company in the proportion of 5 IC&I shares for every share in the issued share capital of the Company. Details of the transaction were disclosed in the announcements of the Company dated 6 December 2016 and 23 December 2016 respectively.

After the distribution in specie of the shares of IC&I held by the Group to the shareholders of the Company in December 2016, the Group's equity interest in IC&I has been decreased from 70.78% to 44.58%, resulting in a loss of control over IC&I and IC&I and its subsidiaries (collectively the "IC&I Group") ceased to be the subsidiaries of the Company. Accordingly, the Group's investment in IC&I was accounted for as interests in associates using the equity method.

The following unaudited and unreviewed pro forma condensed consolidated income statement has been prepared on the basis that the IC&I Group has ceased to be the subsidiaries of the Company since 1 January 2016 and has been prepared for information purposes only and does not form part of the financial information as set out on pages 19 to 39.

### Unaudited and Unreviewed Pro Forma Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Revenues	2,778,018	1,934,907
Other income/(loss)	8,525	(621)
Staff costs	(1,399,635)	(1,180,936)
Rebate incentives	(753,856)	(360,976)
Advertising and promotion expenses	(27,174)	(35,848)
Operating lease charges in respect of office and shop premises	(300,903)	(289,867)
Impairment of receivables	(34,051)	(46,148)
Depreciation and amortisation costs	(23,088)	(22,265)
Other operating costs	(125,960)	(132,837)
Operating profit/(loss)	121,876	(134,591)