



美聯工商舖

MIDLAND IC&I

(459) 香港聯交所上市公司

Midland IC&I Limited

美聯工商舖有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(股份代號 Stock code : 459)

無懼風浪  
盡佔先機

INTERIM REPORT 中期業績報告 2015

\*For identification purpose only 僅供識別

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Non-Executive Directors*

Ms. TANG Mei Lai, Metty (*Chairman*)

Mr. TSANG Link Carl, Brian  
(with Mr. CHU Kuo Fai, Gordon  
as his alternate)

#### *Executive Directors*

Ms. WONG Ching Yi, Angela

Mr. WONG Hon Shing, Daniel  
(*Chief Executive Officer*)

#### *Independent Non-Executive Directors*

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

### AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted

(*Committee Chairman*)

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

### REMUNERATION COMMITTEE

Mr. HO Kwan Tat, Ted

(*Committee Chairman*)

Ms. TANG Mei Lai, Metty

Mr. WONG Hon Shing, Daniel

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

### NOMINATION COMMITTEE

Ms. TANG Mei Lai, Metty

(*Committee Chairman*)

Mr. WONG Hon Shing, Daniel

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

### COMPANY SECRETARY

Ms. MUI Ngar May, Joel

### AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela

Mr. WONG Hon Shing, Daniel

### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Room 1801A, 18th Floor

Office Tower One, Grand Plaza

625 & 639 Nathan Road

Mongkok, Kowloon

Hong Kong

### AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants*

22nd Floor

Prince's Building

Central

Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

### HONG KONG LEGAL ADVISER

Lu, Lai & Li

Rooms 2201, 2201A & 2202

22nd Floor, Tower I

Admiralty Centre

No. 18 Harcourt Road

Hong Kong

### CAYMAN ISLANDS LEGAL ADVISER

Conyers Dill & Pearman

2901 One Exchange Square

8 Connaught Place

Central

Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

### WEBSITE

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

### STOCK CODE

459

## LETTER FROM CHIEF EXECUTIVE OFFICER

### Business Review

For the six months ended 30 June 2015 (the “Interim Period”), Midland IC&I Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded a profit attributable to equity holders of approximately HK\$12,647,000, up slightly from the corresponding period in 2014, while revenue for the period increased by 17.7% to approximately HK\$288,391,000.

#### **Sentiment improved and sales activity increased**

According to the figures from Land Registry, the value and volume of non-residential property sales registrations in Hong Kong recorded a year-on-year growth of 53.9% and 58.5% respectively in the first half of the year. After stripping out some exceptional registrations such as intra-group property transactions made by developers, the values of non-residential registrations still rose by 20.5%. The increase in sales activity was mainly due to the improvement of the business sentiment. In particular, the strong surge in equities markets in both China and Hong Kong prompted the demand for office premises to grow. During the first half, some investors entered the office market in anticipation of the expansion of the financial institutions. However, retail property sector remained weak and retail sales fell 1.6%. Meantime, the industrial property sector was relatively stable.

#### **Operating costs increased**

Since the local economy was in good shape in the first six months, operating costs such as rental expense and staff costs were hard to contain. Indeed, in order to cope with the competitive environment, the Group expanded its sales force. The impairment of receivables rose significantly as a transaction with consideration at above HK\$1 billion fell through.

## LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

### Outlook

The business environment will be full of challenges in the second half. For a start, the interest rates in US are expected to rise. Even though the market consensus is that the increase in interest rates will be slight in this year, it is still uncertain how the investors will respond to the change after a prolonged period of near zero rates. Furthermore, major economies in Eurozone are showing weaknesses of different degrees. For instance, Greece debt crisis has roared back several times and it may do so again in the future. Moreover, the recent volatilities in Mainland equities markets and the disappointing export figures suggest that robust growth of the Mainland economy may no longer be sustainable. The recent devaluation of Renminbi has further complicated the balance of the global economy.

The Group is cautiously optimistic on the local economy. Hong Kong dollars have strengthened against most of the major currencies, weakening the competitiveness of Hong Kong. Retail sector is expected to suffer the most. Indeed, the number of Mainland visitors staying overnight already registered a drop of 3.8% in the first six months. The recent depreciation of Renminbi will only encourage mainlanders to spend less in Hong Kong, further exacerbating the downtrend of the retail sector. The local economy, however, can be supported by the financial sector. While the equities markets in both Hong Kong and Mainland China have been very volatile, the bailout effort launched by the central government may eventually stabilize the stock markets. Moreover, the financial reform initiatives such as Shenzhen-Hong Kong Stock Connect are expected to be put through successfully. Hong Kong, as a financial hub, is in a good position to benefit.

### **Office sector is expected to outperform**

Driven by tight supply but solid demand, office sector is likely to outperform the rest of the non-residential property market. Noticeably, financial institutions, in particular Mainland finance firms have kept on looking for expansion or setting up new operations in Hong Kong even after the sharp correction in stock market in July. The Group expects the sales activities of the office sector in the prime area to stay active in the second half.

The Group, however, expects the retail property sector to weaken further in the second half of 2015. Clearly, the retail industry has been hit hard by the slowdown of Mainland tourist arrivals. The Group believes that this sector will go through a structural downtrend, in particular for segments that are more supported by Mainland shoppers. Therefore, prices and rents for the retail properties in the prime areas are expected to consolidate. There are signs that some landlords have started to slash asking prices and rents, and if they fall to a reasonable level, demand will emerge again. However, it may take a longer time for adjustment to take place in the shopping areas which have a strong reliance on local consumption demand. The recent close down of a furniture and electrical appliances retailer with 14 branches in Hong Kong, is a red flag to the retail properties in Hong Kong. While failure of a business may due to multiple reasons, it may serve as a signal that the rents in some areas are so high that even some traditional businesses which target the local consumers cannot bear.

## LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Outlook (continued)

### **Resources reallocation**

The operating environment for the Group is believed to be challenging. For instance, stratifying shopping arcade into subdivided units was a lucrative business in past two years and the strong response to the subdivided units fueled the confidence of the landlords. However, the high asking prices coupled with the slowdown in retail market have made the sales of the stratified shopping units very difficult. The Group will therefore reallocate its resources to align with the market dynamics.

The Group will continue to explore new business initiatives and pursue diversified investment opportunities. We shall actively work to manage and deploy financial resources towards those suitable business opportunities in support of the growth of the Group over time.

### Appreciation

I would like to take this opportunity to express my sincere gratitude to our shareholders and customers for their continuous support, and to the management and all staff members for their hard work and dedication throughout the period.

**WONG Hon Shing, Daniel**  
*Chief Executive Officer*

Hong Kong, 25 August 2015

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity, Financial Resources and Funding

As at 30 June 2015, the Group had cash and bank balances of HK\$636,808,000 (as at 31 December 2014: HK\$640,214,000), whilst bank loan amounted to HK\$8,655,000 (as at 31 December 2014: HK\$9,118,000). The Group's bank loan was secured by investment properties held by the Group of HK\$62,400,000 (as at 31 December 2014: HK\$59,550,000) and with maturity profile set out as follows:

	<b>As at 30 June 2015 HK\$'000</b>	As at 31 December 2014 HK\$'000
Repayable		
Within 1 year	933	928
After 1 year but within 2 years	951	945
After 2 years but within 5 years	2,967	2,947
After 5 years	3,804	4,298
	<b>8,655</b>	9,118

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

As at 30 June 2015, the Group had unutilised banking facilities amounting to HK\$15,500,000 (as at 31 December 2014: HK\$15,500,000) from a bank. The Group's cash and bank balances are denominated in Hong Kong dollars and the Group's bank loan is in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 30 June 2015, the gearing ratio of the Group was 1.2% (as at 31 December 2014: 1.3%). The gearing ratio is calculated on the basis of the Group's total bank loan over total equity of the Group. The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 3.7 (as at 31 December 2014: 3.6).

The directors of the Company ("Directors") are of the view that there are sufficient financial resources to satisfy the Group's capital commitments and on-going working capital requirements.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Capital Structure and Foreign Exchange Exposure

During the Interim Period, there was no material change in the Company's capital structure. The Group generally finances its operations and investing activities with owners' funds.

The Group's income and monetary assets and liabilities are denominated in Hong Kong dollars. The Directors considered that the foreign exchange exposure of the Group is minimal.

### Contingent Liabilities

As at 30 June 2015, the Company executed corporate guarantees amounting to HK\$29,780,000 (as at 31 December 2014: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to its wholly-owned subsidiaries. As at 30 June 2015, HK\$8,655,000 of the banking facilities were utilised by a subsidiary (as at 31 December 2014: HK\$9,118,000).

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 benefits is probable.

### Employee Information

As at 30 June 2015, the Group employed 801 full-time employees (as at 31 December 2014: 754).

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 2015, 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	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued shares of the Company
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	20,000,000	15,000,000 <i>(Note 1)</i>	35,000,000	0.26%
Mr. TSANG Link Carl, Brian	Personal interest/ Beneficial owner	-	5,000,000 <i>(Note 2)</i>	5,000,000	0.04%
Mr. YING Wing Cheung, William	Personal interest/ Beneficial owner	3,000,000	5,000,000 <i>(Note 3)</i>	8,000,000	0.06%
Mr. SHA Pau, Eric	Personal interest/ Beneficial owner	-	5,000,000 <i>(Note 4)</i>	5,000,000	0.04%
Mr. HO Kwan Tat, Ted	Personal interest/ Beneficial owner	-	5,000,000 <i>(Note 5)</i>	5,000,000	0.04%

## 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 underlying shares were held by Mr. WONG Hon Shing, Daniel by virtue of the interests in the share options of the Company granted to him.
2. These underlying shares were held by Mr. TSANG Link Carl, Brian by virtue of the interests in the share options of the Company granted to him.
3. These underlying shares were held by Mr. YING Wing Cheung, William by virtue of the interests in the share options of the Company granted to him.
4. These underlying shares were held by Mr. SHA Pau, Eric by virtue of the interests in the share options of the Company granted to him.
5. These underlying shares were held by Mr. HO Kwan Tat, Ted by virtue of the interests in the share options of the Company granted to him.
6. Details of the share options granted by the Company to the above Directors are set out in the section headed "Share Option Scheme" in this interim report.

## OTHER INFORMATION *(continued)*

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

*(iii) Long positions in the shares and underlying shares of associated corporation of the Company*

Name of associated corporation	Name of Director	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued shares of associated corporation
Midland Holdings Limited ("Midland Holdings")	Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	185,830,144 <i>(Note 7)</i>	7,209,160 <i>(Note 8)</i>	193,039,304	26.88%
		Personal interest/ Beneficial owner	-	7,209,160 <i>(Note 9)</i>	7,209,160	1.00%
Midland Holdings	Ms. WONG Ching Yi, Angela	Personal interest/ Beneficial owner	-	7,209,160 <i>(Note 10)</i>	7,209,160	1.00%

*Notes:*

- These shares represent the shares held directly or indirectly by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), the spouse of Ms. TANG Mei Lai, Metty ("Ms. TANG"), as ultimate beneficial owner in the shares of Midland Holdings, the associated corporation of the Company.
- These underlying shares represent the interests in the share options of Midland Holdings held by Mr. WONG, the spouse of Ms. TANG, by virtue of the interests in the share options of Midland Holdings granted to him.
- These underlying shares were held by Ms. TANG by virtue of the interests in the share options of Midland Holdings granted to her.
- These underlying shares were held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options of Midland Holdings granted to her.

## OTHER INFORMATION *(continued)*

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

Save as disclosed above, as at 30 June 2015, 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 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.

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

As at 30 June 2015, 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 under section 336 of the SFO were as follows:

#### *Long positions in the shares and underlying shares of the Company*

<b>Name of substantial shareholder</b>	<b>Number of ordinary shares</b>	<b>Holding capacity/ Nature of interest</b>	<b>Approximate percentage of the issued shares of the Company</b>
Midland Holdings	9,700,000,000 <i>(Note)</i>	Interest of controlled corporation/ Corporate interest	70.80%
Valuewit Assets Limited ("Valuewit")	9,700,000,000 <i>(Note)</i>	Beneficial owner/ Beneficial interest	70.80%

*Note:* Valuewit was an indirect wholly-owned subsidiary of Midland Holdings. Midland Holdings was deemed to be interested in these 9,700,000,000 shares held by Valuewit under the SFO.

## OTHER INFORMATION (continued)

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

Save as disclosed above, as at 30 June 2015, 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 under section 336 of the SFO.

### Share Option Scheme

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

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 2015	Exercisable period
			Balance outstanding as at 1 January 2015	Granted during the Interim Period	Cancelled/lapsed during the Interim Period	Exercised during the Interim Period	Balance outstanding as at 30 June 2015		
<b>Directors of the Company</b>									
Mr. WONG Hon Shing, Daniel	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2014 to 14 December 2019	
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2015 to 14 December 2019	
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2016 to 14 December 2019	
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	

## OTHER INFORMATION (continued)

## Share Option Scheme (continued)

Name of director	Date of grant	Exercise price per share HK\$	Number of share options					Balance outstanding as at 30 June 2015	Exercisable period
			Balance outstanding as at 1 January 2015	Granted during the Interim Period	Cancelled/lapsed during the Interim Period	Exercised during the Interim Period	Balance outstanding as at 30 June 2015		
<b>Directors of Midland Holdings</b>									
Mr. WONG Tsz Wa, Pierre	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2014 to 14 December 2019	
	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2015 to 14 December 2019	
	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2016 to 14 December 2019	
Ms. IP Kit Yee, Kitty	10 December 2014	0.044	3,330,000	-	-	-	3,330,000	15 December 2014 to 14 December 2019	
	10 December 2014	0.044	3,330,000	-	-	-	3,330,000	15 December 2015 to 14 December 2019	
	10 December 2014	0.044	3,340,000	-	-	-	3,340,000	15 December 2016 to 14 December 2019	
Mr. CHEUNG Kam Shing	10 December 2014	0.044	5,000,000	-	-	(5,000,000) (Note)	-	15 December 2014 to 14 December 2019	
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2015 to 14 December 2019	
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2016 to 14 December 2019	
Total			150,000,000	-	-	(5,000,000)	145,000,000		

*Note:* Share options for subscription of 5,000,000 ordinary shares of the Company were exercised by Mr. CHEUNG Kam Shing on 29 June 2015. The aforesaid shares were issued and allotted to him on 13 July 2015. The closing price of the shares of the Company immediately before the date of exercise of the said share options was HK\$0.077 per share.

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)*

### 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 (2014: Nil).

### Review of Financial Statements

The audit committee of the Company (the "Audit Committee") comprises three Independent Non-Executive Directors 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.

### 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 STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Revenues	4	288,391	245,017
Other income	5	3,677	2,213
Staff costs		(145,695)	(129,889)
Rebate incentives		(52,347)	(51,742)
Advertising and promotion expenses		(10,259)	(6,585)
Operating lease charges in respect of office and shop premises		(17,159)	(16,931)
Impairment of receivables		(31,264)	(11,920)
Depreciation expenses		(2,386)	(3,883)
Other operating costs		(18,775)	(14,541)
Operating profit	6	14,183	11,739
Finance income		1,229	1,280
Finance costs		(84)	(91)
Profit before taxation		15,328	12,928
Taxation	7	(2,681)	(1,404)
Profit and total comprehensive income for the period attributable to equity holders		12,647	11,524
		HK cents	HK cents
Earnings per share	9		
Basic		0.09	0.08
Diluted		0.09	0.08

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2015

	Note	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		6,398	5,835
Investment properties	10	62,400	59,550
Deferred taxation assets		3,818	3,760
		<b>72,616</b>	69,145
<b>Current assets</b>			
Trade and other receivables	11	250,969	241,929
Tax recoverable		–	521
Cash and bank balances		636,808	640,214
		<b>887,777</b>	882,664
<b>Total assets</b>		<b>960,393</b>	951,809
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	12	137,000	137,000
Share premium		549,168	549,168
Reserves		34,081	20,826
<b>Total equity</b>		<b>720,249</b>	706,994

## CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

As at 30 June 2015

	Note	As at 30 June 2015 HK\$'000	As at 31 December 2014 HK\$'000
<b>Non-current liabilities</b>			
Deferred taxation liabilities		553	466
<b>Current liabilities</b>			
Trade and other payables	13	224,940	231,367
Bank loan		8,655	9,118
Taxation payable		5,996	3,864
		<b>239,591</b>	244,349
<b>Total liabilities</b>		<b>240,144</b>	244,815
<b>Total equity and liabilities</b>		<b>960,393</b>	951,809
<b>Net current assets</b>		<b>648,186</b>	638,315
<b>Total assets less current liabilities</b>		<b>720,802</b>	707,460

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2015

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total equity HK\$'000
At 1 January 2015	<b>137,000</b>	<b>549,168</b>	<b>20,826</b>	<b>706,994</b>
Comprehensive income				
Profit for the period	-	-	<b>12,647</b>	<b>12,647</b>
Transaction with owners				
Employee share options scheme				
- value of employee services	-	-	<b>608</b>	<b>608</b>
At 30 June 2015	<b>137,000</b>	<b>549,168</b>	<b>34,081</b>	<b>720,249</b>
At 1 January 2014	137,000	549,168	(19,714)	666,454
Comprehensive income				
Profit for the period	-	-	11,524	11,524
At 30 June 2014	137,000	549,168	(8,190)	677,978

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Net cash (used in)/from operating activities	(1,223)	28,923
Net cash (used in)/from investing activities	(1,720)	1,176
Net cash used in financing activity – Repayment of borrowings	(463)	(454)
Net (decrease)/increase in cash and cash equivalents	(3,406)	29,645
Cash and cash equivalents at 1 January	640,214	572,220
Cash and cash equivalents at 30 June	636,808	601,865

## NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

### 1 General information

The Company is a limited liability company incorporated in the Cayman Islands and listed on the main board of the Stock Exchange. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

The principal activities of the Group are provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong.

The ultimate holding company is Midland Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong.

This unaudited condensed consolidated interim financial information has been approved by the Board on 25 August 2015.

### 2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared under the historical cost convention as modified by the revaluation of investment properties, 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 Listing Rules.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

### 3 Significant accounting policies

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 2014 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 2015.

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

### 3 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 2015. 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.

		<b>Effective for accounting periods beginning on or after</b>
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	1 July 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 2015 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

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

### 4 Revenues and segment information

#### (a) Revenues

	<b>Six months ended 30 June</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Agency fee	<b>286,654</b>	243,999
Other revenues		
Rental income from a fellow subsidiary	<b>1,064</b>	996
Rental income from third parties	<b>673</b>	22
<b>Total revenues</b>	<b>288,391</b>	245,017

#### (b) Segment information

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

Management assesses the performance based on the nature of the Group's business principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops.

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

### 4 Revenues and segment information (continued)

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

	Six months ended 30 June 2015			
	Property agency			
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Total HK\$'000
Total revenues	125,320	62,405	111,367	299,092
Inter-segment revenues	(7,087)	(1,804)	(3,547)	(12,438)
Revenues from external customers	118,233	60,601	107,820	286,654
Segment results	26,444	4,820	(7,442)	23,822
Impairment/(reversal of impairment) of receivables	2,371	(716)	29,609	31,264
Depreciation expenses	855	610	813	2,278
Additions to non-current assets	386	289	2,266	2,941

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

### 4 Revenues and segment information (continued)

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

	Six months ended 30 June 2014				
	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	
Total revenues	71,679	39,555	142,268	-	253,502
Inter-segment revenues	(3,813)	(2,387)	(3,303)	-	(9,503)
Revenues from external customers	67,866	37,168	138,965	-	243,999
Segment results	(1,055)	495	17,375	(3)	16,812
Impairment of receivables	774	2,930	8,216	-	11,920
Depreciation expenses	1,301	1,240	1,219	-	3,760
Additions to non-current assets	21	14	57	-	92
Loss on disposal of property and equipment	-	46	-	-	46

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Service fee from a fellow subsidiary, corporate expenses, fair value gain on investment properties, finance income, finance costs and taxation are not included in the segment results.

Revenues between segments arose from transactions which are carried out on terms with reference to market practice. Revenues from external customers reported to the Executive Directors are measured in a manner consistent with that in the consolidated statement of comprehensive income.

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

### 4 Revenues and segment information (continued)

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

Reportable revenues from external customers are reconciled to total revenues as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Revenues from external customers for reportable segments	<b>286,654</b>	243,999
Rental income from a fellow subsidiary	<b>1,064</b>	996
Rental income from third parties	<b>673</b>	22
<b>Total revenues per consolidated statement of comprehensive income</b>	<b>288,391</b>	245,017

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

	<b>Six months ended 30 June</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Segment results for reportable segments	<b>23,822</b>	16,812
Service fee from a fellow subsidiary	<b>653</b>	2,024
Corporate expenses	<b>(13,142)</b>	(7,197)
Fair value gain on investment properties	<b>2,850</b>	100
Finance income	<b>1,229</b>	1,280
Finance costs	<b>(84)</b>	(91)
<b>Profit before taxation per consolidated statement of comprehensive income</b>	<b>15,328</b>	12,928

## 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 and deferred taxation, which are managed on a central basis. The following is total segment assets and liabilities by reportable segment:

	As at 30 June 2015			
	Property agency			
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Total HK\$'000
Segment assets	108,408	46,471	100,946	255,825
Segment liabilities	90,651	40,163	82,409	213,223

	As at 31 December 2014				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	103,448	28,866	112,309	–	244,623
Segment liabilities	94,489	26,077	95,773	–	216,339

## 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:

	<b>As at 30 June 2015 HK\$'000</b>	As at 31 December 2014 HK\$'000
Segment assets	<b>255,825</b>	244,623
Corporate assets	<b>700,750</b>	703,426
Deferred taxation assets	<b>3,818</b>	3,760
<b>Total assets per consolidated balance sheet</b>	<b>960,393</b>	951,809

Reportable segment liabilities are reconciled to total liabilities as follows:

	<b>As at 30 June 2015 HK\$'000</b>	As at 31 December 2014 HK\$'000
Segment liabilities	<b>213,223</b>	216,339
Corporate liabilities	<b>26,368</b>	28,010
Deferred taxation liabilities	<b>553</b>	466
<b>Total liabilities per consolidated balance sheet</b>	<b>240,144</b>	244,815

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

### 5 Other income

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Service fee from a fellow subsidiary (Note 16(a))	<b>653</b>	2,024
Fair value gain on investment properties	<b>2,850</b>	100
Others	<b>174</b>	89
	<b>3,677</b>	2,213

### 6 Operating profit

Operating profit is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Loss on disposal of property and equipment	<b>-</b>	46

### 7 Taxation

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Current		
Hong Kong profits tax	<b>2,652</b>	2,354
Deferred	<b>29</b>	(950)
	<b>2,681</b>	1,404

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2014: 16.5%) on the estimated assessable profit for the Interim Period.

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

### 8 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

### 9 Earnings per share

The calculation of basic and diluted earnings per share for the period is based on the following:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Profit attributable to equity holders	12,647	11,524
Number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000
Effect on conversion of share options (thousands)	10,618	–
Number of shares for calculation of diluted earnings per share (thousands)	13,710,618	13,700,000
Basic earnings per share (HK cents)	0.09	0.08
Diluted earnings per share (HK cents)	0.09	0.08

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

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment 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 earnings per share for the period ended 30 June 2014 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)

### 10 Investment properties

Investment properties with net book value of HK\$62,400,000 (as at 31 December 2014: HK\$59,550,000) are pledged as security for the Group's bank loan.

The valuations of the investment properties were carried out by Midland Surveyors Limited, a qualified surveyor. Fair values of investment properties 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 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.

### 11 Trade and other receivables

	<b>As at 30 June 2015 HK\$'000</b>	As at 31 December 2014 HK\$'000
Trade receivables	<b>292,029</b>	267,773
Less: provision for impairment	<b>(63,096)</b>	(44,560)
Trade receivables, net	<b>228,933</b>	223,213
Other receivables, prepayments and deposits	<b>22,036</b>	18,716
	<b>250,969</b>	241,929

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

### 11 Trade and other receivables (continued)

The 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 the completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	<b>As at 30 June 2015 HK\$'000</b>	As at 31 December 2014 HK\$'000
Not yet due	214,644	214,306
Less than 30 days	7,433	3,560
31 to 60 days	2,933	4,133
61 to 90 days	1,817	950
Over 90 days	2,106	264
	<b>228,933</b>	223,213

### 12 Share capital

	<b>Number of shares (HK\$0.01 each)</b>	<b>Nominal value HK\$'000</b>
Authorised:		
As at 31 December 2014 and 30 June 2015	50,000,000,000	500,000
Issued and fully paid:		
As at 31 December 2014 and 30 June 2015	13,700,000,000	137,000

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

### 13 Trade and other payables

	<b>As at 30 June 2015 HK\$'000</b>	As at 31 December 2014 HK\$'000
Commissions payable	<b>192,329</b>	196,823
Other payables and accruals	<b>32,611</b>	34,544
	<b>224,940</b>	231,367

Commissions payable include mainly the commissions payable to property consultants, co-operative estate agents and customers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$13,800,000 (as at 31 December 2014: HK\$32,268,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

### 14 Capital commitments

The Group and the Company did not have any significant capital commitments as at 30 June 2015 and 31 December 2014.

### 15 Contingent liabilities

As at 30 June 2015, the Company executed corporate guarantees amounting to HK\$29,780,000 (as at 31 December 2014: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to its wholly-owned subsidiaries. As at 30 June 2015, HK\$8,655,000 of the banking facilities were utilised by a subsidiary (as at 31 December 2014: HK\$9,118,000).

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 benefits is probable.

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

### 16 Significant related party transactions

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

#### (a) Transactions with related parties

	Note	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Agency fee income from fellow subsidiaries	(i)	13,977	10,434
Rental income in respect of office premise from a fellow subsidiary	(ii)	1,064	996
Rebate incentives to fellow subsidiaries	(iii)	45,428	38,086
Operating lease rental expense to related companies	(iv)	1,578	1,310
Service fee income from a fellow subsidiary	(v)	653	2,024

#### Notes:

- (i) Agency fee income from fellow subsidiaries represents agency fee for property agency transactions referred to fellow subsidiaries on terms mutually agreed by both parties.
- (ii) The Group entered into lease agreements with a fellow subsidiary on terms mutually agreed by both parties.
- (iii) Rebate incentives to fellow subsidiaries represent commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.
- (iv) The Group entered into certain operating lease agreements with certain related companies, in which directors of the ultimate holding company have beneficial interests, on terms mutually agreed by both parties.
- (v) Service fee income from a fellow subsidiary represents service fee for assistance provided by the Group in procuring the issuance of cashier orders to prospective purchasers of primary residential properties referred by a fellow subsidiary at service fee charged on terms mutually agreed by both parties.

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

### 16 Significant related party transactions (continued)

#### (a) Transactions with related parties (continued)

During the Interim Period, the Group shared administrative and corporate services on a cost basis with an aggregate amount of HK\$5,654,000 (six months ended 30 June 2014: HK\$7,380,000) with its fellow subsidiaries.

#### (b) Key management compensation

	<b>Six months ended 30 June</b>	
	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Fees, salaries, allowances and incentives	<b>1,960</b>	2,685
Retirement benefit costs	<b>10</b>	16
Share-based benefits	<b>70</b>	–
	<b>2,040</b>	2,701

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

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

	<b>As at</b> <b>30 June</b> <b>2015</b> <b>HK\$'000</b>	As at 31 December 2014 HK\$'000
	Amounts due from fellow subsidiaries	<b>21,290</b>
Amounts due to fellow subsidiaries	<b>(51,835)</b>	(54,907)

