

Explore Opportunities Create Possibilities



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Directors

Mr. KAN Chung Nin, Tony (*Chairman*)
Mr. TSANG Link Carl, Brian
(*with Mr. WONG Wai Cheong
as his alternate*)

Executive Directors

Ms. TANG Mei Lai, Metty
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*)
Mr. KAN Chung Nin, Tony
Mr. WONG Hon Shing, Daniel
Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric

NOMINATION COMMITTEE

Mr. KAN Chung Nin, Tony
(*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
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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

HONG KONG LEGAL ADVISER

Iu, Lai & Li Solicitors & Notaries
Rooms 2201, 2201A & 2202
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CAYMAN ISLANDS LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

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LETTER FROM CHIEF EXECUTIVE OFFICER

Business Review

Midland IC&I Limited (the “Company”) and its subsidiaries (collectively, the “Group”) announce that revenue of approximately HK\$316,967,000 was recorded for the six months ended 30 June 2019 (the “Interim Period”), which marked a decrease of 23%. The net profit attributable to equity holders amounted to HK\$20,967,000, representing a drop of 58% as compared to HK\$49,888,000 for the corresponding period in 2018.

Sluggish property market sentiment

Despite the fact that the trade truce in late 2018 and the change in the interest rate hike expectation, to a certain extent, provided relief to the market, and brought significant impact on the residential sector, the benefit to the non-residential sector was still limited. During the reporting period, transaction volume of the non-residential properties fell considerably.

Amidst an unfavourable business environment, many companies adjusted expansion plans, weakening the overall demand in the office sector. The retail property sector did not fare well either. Although the recent completion of cross-border infrastructures boosted visitor numbers, the growth in visitor arrivals did not benefit the retail industry. Retail sales volume slumped for five months in a row, from February to June 2019. According to the Census and Statistics Department, the GDP growth of the local economy in the first quarter of 2019 stood at 0.6%, the lowest in almost ten years.

As the China-US trade was in a stalemate, investment demands stalled and property investment activities slowed down. Despite the resumption of trade negotiations in May this year, investors were still cautious, which led to the continuous deterioration of the investment market.

Overcame challenges to broker remarkable deals

During the reporting period, the effort of deepening the rental sector had achieved remarkable results. In the first half of 2019, the Group brokered a number of mega rental deals, including the leasing of the entire 65th floor of The Center at 99 Queen’s Road Central in Central with monthly rental at approximately HK\$2.7 million.

LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Business Review (continued)

Overcame challenges to broker remarkable deals (continued)

In addition, despite the challenging market conditions, the Group brokered a number of high value transactions, among which the three notable transactions were the Far East Finance Centre, COSCO Tower, and The Center at HK\$227 million, HK\$148 million, and HK\$102 million, respectively.

Outlook

Global economic growth remains weak

Recently, the China-US trade war has been intensifying. The bilateral trade conflicts are expected to continue to bring adverse impacts to the global economy. The Renminbi-US dollar exchange rate dropped below the threshold of 7 will pose a severe hit on the retail market. Intensification of geopolitical tensions including the Brexit stalemate, US sanctions on Iranian oil exports, and the trade dispute between Japan and South Korea, will further drag down the pace of global economic growth. Locally, the social events have continued to put pressure on the local economy, posing a significant blow to business expansion and retail sales. The local consumption demand is expected to remain weak.

Transaction volume of office sector may increase in second half

As global economic risks exacerbated, growth in the China market fell correspondingly. According to the National Bureau of Statistics in China, the country's GDP growth slowed to 6.2% in the second quarter of 2019, the lowest in 27 years. However, the growth is still spectacular for an economy that is worth approximately US\$14 trillion. While the China-US trade disputes may affect the import and export trade, domestic demand may grow under the guidance of Chinese government's economic measures, and to a certain extent help to stimulate economic development, thereby creating favourable conditions for the growth of the economies in China and its neighboring regions. As the downward pressures on the economy are mounting, the US and the European Union signaled the possibility of further interest rate cut, and the European Central Bank may even broaden stimulus measures. Amidst a low interest rate environment, pragmatic investors may re-enter the market to pick up bargains, which would bring support to the market.

LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Outlook (continued)

Transaction volume of office sector may increase in second half (continued)

Despite the market is now full of challenges, it is believed that investors taking a long-term view may step in the market. In the first half of 2019, developers held back due to the lack of market momentum. However, as some new non-residential projects may be launched in the second half of 2019, transaction activity in the office sector may improve if the sale of such projects is satisfactory.

Pursue diversification to accommodate market changes

The Group has adopted diversification strategy and both credit business and the property investments division delivered positive contribution to the Group. In addition, the Group has made bond investments to optimize and broaden the sources of revenue.

Looking ahead, the Group will continue to adopt a prudent investment strategy, keep abreast of the market, and take appropriate actions in response to market changes, so as to strengthen its market position, and create better value for its shareholders.

Appreciation

I would like to take this opportunity to express my sincere gratitude to our shareholders and customers, and to our management and staff for their hard work and dedication during the reporting period.

WONG Hon Shing, Daniel
Chief Executive Officer

Hong Kong, 27 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The Letter from Chief Executive Officer from pages 3 to 5 forms part of the Management Discussion and Analysis.

Financial Review

Liquidity and financial resources

As at 30 June 2019, the Group had cash and cash equivalents of HK\$563,198,000 (as at 31 December 2018: HK\$593,214,000) and bonds investment of HK\$16,692,000 (as at 31 December 2018: HK\$4,680,000), whilst bank loans amounted to HK\$135,844,000 (as at 31 December 2018: HK\$136,329,000) and unsecured zero coupon convertible note of HK\$185,178,000 (as at 31 December 2018: HK\$180,411,000).

The maturity profile of the Group's borrowings is set out as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Secured bank loan with repayment on demand clause (<i>note</i>)		
– repayable within 1 year	1,016	988
– repayable after 1 year but within 2 years	1,126	1,016
– repayable after 2 years but within 5 years	2,702	3,231
– repayable over 5 years	–	94
	4,844	5,329
Secured bank loan repayable over 5 years	131,000	131,000
	135,844	136,329
Convertible note		
– repayable after 1 year but within 2 years	185,178	–
– repayable after 2 years but within 5 years	–	180,411

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Liquidity and financial resources (continued)

The Group's bank loans were secured by certain investment properties held by the Group of HK\$288,100,000 (as at 31 December 2018: HK\$288,100,000). As at 30 June 2019, the Group had unutilised borrowing facilities amounting to HK\$15,000,000 (as at 31 December 2018: HK\$15,000,000) from a bank. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loans and convertible note are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 30 June 2019, the gearing ratio of the Group was 28.2% (as at 31 December 2018: 28.3%). The gearing ratio is calculated on the basis of the Group's total bank loans and convertible note 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 2.8 (as at 31 December 2018: 3.5). The return on equity of the Group, which is the ratio of profit for the period over total equity was 1.8% (six months ended 30 June 2018: 4.5%).

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its available cash so as to generate investment return to enhance the Group's financial position. The criteria for selection of investments will include (i) the risk profile involved and not speculative in nature; (ii) the liquidity of an investment; (iii) the after tax equivalent yield of an investment; and (iv) structurally products are prohibited. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities with good credit quality. Investment in fixed income products are structured in different maturity profile to cater for ongoing business development. As at 30 June 2019, the Group has short term bank deposits of HK\$479,548,000 (as at 31 December 2018: HK\$519,571,000) and bonds investment of HK\$16,692,000 (as at 31 December 2018: HK\$4,680,000).

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Contingent liabilities

As at 30 June 2019, the Company executed corporate guarantees amounting to HK\$160,780,000 (as at 31 December 2018: HK\$160,780,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 30 June 2019, banking facilities of HK\$135,844,000 were utilised by the subsidiaries (as at 31 December 2018: HK\$136,329,000).

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 2019, the Group employed 723 full-time employees (as at 31 December 2018: 770).

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 2019, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or otherwise, were as follows:

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

Name of Directors	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued voting shares of the Company
Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	1,138,674,677 <i>(Note 1)</i>	434,782,608 <i>(Note 2)</i>	1,573,457,285	87.16%
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	2,000,000	1,500,000 <i>(Note 3)</i>	3,500,000	0.19%
Mr. YING Wing Cheung, William	Personal interest/ Beneficial owner	300,000	-	300,000	0.02%

Notes:

- Part of these shares was held directly, and the rest of these shares was held indirectly/ through controlled corporation by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as the ultimate beneficial owner. Details of interests of Mr. WONG Kin Yip, Freddie are disclosed in the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" in this interim report.
- Such interests in underlying shares (being physically settled unlisted derivatives) represent 434,782,608 ordinary shares to be issued to Wealth Builder Holdings Limited ("Wealth Builder"), a company indirectly wholly owned by Mr. WONG Kin Yip, Freddie, upon exercise in full of the conversion right attached to the convertible note due 2021 in the principal amount of HK\$200 million at the conversion price of HK\$0.46 per ordinary share issued by the Company pursuant to an acquisition agreement dated 10 January 2017 (the "Acquisition Agreement").
- These underlying shares (being physically settled unlisted derivatives) were held by Mr. WONG Hon Shing, Daniel by virtue of the interests in the share options of the Company granted to him. Details of his share options granted by the Company 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 the associated corporation of the Company*

Name of associated corporation	Name of Director	Number of ordinary shares			Total	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		
Powerful Surge Group Limited	Ms. WONG Ching Yi, Angela	5	-	-	5	5%

Save as disclosed above, as at 30 June 2019, 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 2019, 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:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholders	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Midland Holdings Limited ("Midland Holdings")	610,976,997 <i>(Note 1)</i>	Interest of controlled corporations/Corporate interest	33.84%
Valuewit Assets Limited ("Valuewit")	610,976,997 <i>(Note 1)</i>	Beneficial owner/ Beneficial interest	33.84%
Luck Gain Holdings Limited ("Luck Gain")	869,565,216 <i>(Note 2)</i>	Interest of controlled corporation/Corporate interest	48.17%
Wealth Builder	869,565,216 <i>(Note 2)</i>	Beneficial owner/ Beneficial interest	48.17%
Mr. WONG Kin Yip, Freddie <i>(Note 5)</i>	12,245,000 <i>(Note 3)</i>	Beneficial owner/ Personal interest	0.68%
	1,561,212,285 <i>(Note 4)</i>	Interest of controlled corporations/Corporate interest	86.48%

OTHER INFORMATION *(continued)*

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

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

Notes:

1. Midland Holdings was deemed to be interested in the 610,976,997 ordinary shares held by its indirectly wholly-owned subsidiary, Valuewit, under the SFO.
2. Luck Gain, which was directly wholly-owned by Mr. WONG Kin Yip, Freddie, was deemed to be interested in the 434,782,608 ordinary shares and 434,782,608 underlying shares (being physically settled unlisted derivatives) held by its directly wholly-owned subsidiary, Wealth Builder under the SFO. Such interests in underlying shares represent 434,782,608 ordinary shares to be issued to Wealth Builder upon exercise in full of the conversion right attached to the convertible note due 2021 in the principal amount of HK\$200 million at the conversion price of HK\$0.46 per ordinary share issued by the Company pursuant to the Acquisition Agreement.
3. Such long position includes interests in ordinary shares only.
4. Mr. WONG Kin Yip, Freddie was deemed to be interested in the (i) 80,670,072 ordinary shares held by Sunluck Services Limited which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his directly wholly-owned company, namely Southern Field Trading Limited; (ii) 434,782,608 ordinary shares and 434,782,608 underlying shares held by Wealth Builder as mentioned in note 2 above; and (iii) 610,976,997 ordinary shares held by Valuewit, as mentioned in note 1 above, since Mr. WONG Kin Yip, Freddie controls directly and indirectly of 35.07% shareholding in Midland Holdings, under the SFO.
5. The 1,138,674,677 ordinary shares and 434,782,608 underlying shares held by Mr. WONG Kin Yip, Freddie relate to the same block of ordinary shares and underlying shares of the Company as disclosed under Ms. TANG Mei Lai, Metty in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

Save as disclosed above, as at 30 June 2019, 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 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. The Share Option Scheme had expired on 18 September 2018. The terms of the Share Option Scheme for those outstanding share options already granted under the Share Option Scheme remain in force.

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

Name	Date of grant <i>(Note 1)</i>	Exercise price per share HK\$	Number of share options				Balance outstanding as at 30 June 2019	Exercisable period
			Balance outstanding as at 1 January 2019	Granted during the Interim Period	Cancelled/lapsed during the Interim Period	Exercised during the Interim Period		
Director of the Company								
Mr. WONG Hon Shing, Daniel	10 December 2014	0.44	500,000	-	-	-	500,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	500,000	-	-	-	500,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	500,000	-	-	-	500,000	15 December 2016 to 14 December 2019

OTHER INFORMATION (continued)

Share Option Scheme (continued)

Name	Date of grant <i>(Note 1)</i>	Exercise price per share HK\$	Number of share options					Balance outstanding as at 30 June 2019	Exercisable period
			Balance outstanding as at 1 January 2019	Granted during the Interim Period	Cancelled/lapsed during the Interim Period	Exercised during the Interim Period	Balance outstanding as at 30 June 2019		
Other participants									
Directors of Midland Holdings									
Mr. WONG Tsz Wa, Pierre	10 December 2014	0.44	3,000,000	-	-	-	3,000,000	15 December 2014 to 14 December 2019	
	10 December 2014	0.44	3,000,000	-	-	-	3,000,000	15 December 2015 to 14 December 2019	
	10 December 2014	0.44	3,000,000	-	-	-	3,000,000	15 December 2016 to 14 December 2019	
Mr. CHEUNG Kam Shing	10 December 2014	0.44	500,000	-	-	-	500,000	15 December 2015 to 14 December 2019	
	10 December 2014	0.44	500,000	-	-	-	500,000	15 December 2016 to 14 December 2019	
Total			11,500,000	-	-	-	11,500,000		

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
- The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

OTHER INFORMATION (continued)

Convertible Note

On 22 March 2017, the Company issued zero coupon convertible note due 2021 in the principal amount of HK\$200,000,000 at an initial conversion price of HK\$0.46 (after the effect of share consolidation) per share. The maximum number of shares to be issued upon full conversion is 434,782,608 shares (after the effect of share consolidation) and none of convertible note was converted up to 30 June 2019. Further details of the convertible note are set out in note 14 to the condensed consolidated interim financial information (unaudited).

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 2018: Nil).

Review of Financial Statements

The audit committee of the Company has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited condensed consolidated interim financial information of the Group for the Interim Period from pages 17 to 44 in this interim report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee of the Company has also reviewed this interim report.

OTHER INFORMATION (continued)

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information subsequent to the date of the 2018 Annual Report of the Company are set out below:

1. Mr. KAN Chung Nin, Tony has been appointed as an Independent Non-Executive Director of Kimou Environmental Holding Limited (a company listed on the Stock Exchange since 16 July 2019, stock code: 6805) with effect from 18 June 2019.
2. Mr. CHU Kuo Fai, Gordon resigned as an Alternate Director to Mr. TSANG Link Carl, Brian with effect from 19 June 2019.
3. Mr. WONG Wai Cheong has been appointed as an Alternate Director to Mr. TSANG Link Carl, Brian with effect from 19 June 2019.

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 STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the Six Months Ended 30 June 2019

	Note	Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000
Revenues	4	316,967	410,999
Other (loss)/income	5	(968)	3,574
Staff costs		(154,374)	(189,495)
Rebate incentives		(93,553)	(111,008)
Advertising and promotion expenses		(5,935)	(7,478)
Operating lease charges in respect of office and shop premises		–	(17,143)
Amortisation of right-of-use assets (lease)		(16,914)	–
Depreciation expenses of property and equipment		(1,861)	(1,645)
Net impairment losses on financial assets		(478)	(9,976)
Other operating costs		(16,899)	(15,571)
Operating profit		25,985	62,257
Finance income		5,078	1,832
Interest on bank loans		(2,013)	(79)
Interest on lease liabilities		(713)	–
Interest on convertible note		(3,785)	(3,632)
Profit before taxation		24,552	60,378
Taxation	6	(3,549)	(10,490)
Profit and total comprehensive income for the period		21,003	49,888
Profit and total comprehensive income attributable to			
Equity holders		20,967	49,888
Non-controlling interests		36	–
		21,003	49,888
Earnings per share	8	HK cents	HK cents
Basic		1.16	2.76
Diluted		1.15	2.36

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2019

	Note	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
ASSETS			
Non-current assets			
Property and equipment		5,149	6,159
Right-of-use assets		48,756	–
Investment properties	9	855,300	855,300
Other financial assets at amortised cost		16,692	4,680
Deferred tax assets		3,014	2,452
		928,911	868,591
Current assets			
Trade and other receivables	10	239,585	192,389
Mortgage loan receivables	11	45,175	–
Tax recoverable		3,932	6,926
Cash and cash equivalents		563,198	593,214
		851,890	792,529
Total assets		1,780,801	1,661,120
EQUITY AND LIABILITIES			
Equity holders			
Share capital	12	180,528	180,528
Share premium		745,086	745,086
Reserves		203,204	187,291
		1,128,818	1,112,905
Non-controlling interests		7,797	7,761
Total equity		1,136,615	1,120,666

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

As at 30 June 2019

	Note	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Non-current liabilities			
Deferred tax liabilities		2,275	1,551
Lease liabilities		18,284	–
Bank loan	13	131,000	131,000
Convertible note	14	185,178	180,411
		336,737	312,962
Current liabilities			
Trade and other payables	15	256,795	211,274
Lease liabilities		36,513	–
Bank loan	13	4,844	5,329
Taxation payable		9,297	10,889
		307,449	227,492
Total liabilities		644,186	540,454
Total equity and liabilities		1,780,801	1,661,120

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the Six Months Ended 30 June 2019

	Attributable to equity holders of the Company				Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total HK\$'000		
	At 31 December 2018, previously reported	180,528	745,086	187,291		
Impact on initial adoption of HKFRS16 (note 3)	-	-	(5,054)	(5,054)	-	(5,054)
At 1 January 2019	180,528	745,086	182,237	1,107,851	7,761	1,115,612
Total comprehensive income	-	-	20,967	20,967	36	21,003
Profit for the period	-	-	20,967	20,967	36	21,003
At 30 June 2019	180,528	745,086	203,204	1,128,818	7,797	1,136,615
At 1 January 2018	180,528	745,086	139,143	1,064,757	-	1,064,757
Total comprehensive income	-	-	49,888	49,888	-	49,888
Profit for the period	-	-	49,888	49,888	-	49,888
At 30 June 2018	180,528	745,086	189,031	1,114,645	-	1,114,645

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the Six Months Ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities		
– Net cash (used in)/generated from operations	(690)	49,045
– Hong Kong profits tax paid	(1,985)	–
– Interest element of lease payments	(713)	–
– Bank interest paid	(2,013)	(79)
Net cash (used in)/generated from operating activities	(5,401)	48,966
Cash flows from investing activities		
– Payments for investment properties	–	(372,479)
– Payments for property and equipment	(851)	(2,065)
– Acquisition of other financial assets at amortised cost	(12,012)	–
– Interest received	5,078	1,832
Net cash used in investing activities	(7,785)	(372,712)
Cash flows from financing activities		
– Capital element of lease payments	(16,345)	–
– Proceeds from bank loan	–	131,000
– Repayment of bank loan	(485)	(480)
Net cash (used in)/generated from financing activities	(16,830)	130,520
Net decrease in cash and cash equivalents	(30,016)	(193,226)
Cash and cash equivalents at 1 January	593,214	750,312
Cash and cash equivalents at 30 June	563,198	557,086

NOTES TO THE CONDENSED CONSOLIDATED 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 of Hong Kong Limited (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 Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

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

This unaudited condensed consolidated interim financial information has been approved by the Board on 27 August 2019.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared under the historical cost convention as modified by the revaluation of investment properties and liability component of convertible note 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 “Listing Rules”).

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new or amended HKFRS, and HKASs and Interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

2 Basis of preparation (continued)

Estimates

The preparation of this unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018 except for the one disclosed in note 3(v) related to the adoption of HKFRS 16.

(a) New standards, interpretation and amendments effective in 2019

HKFRS 16 "Leases" is mandatory for the financial year beginning 1 January 2019 and the impacts of the adoption of this new HKFRS is disclosed in note 3.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) *(continued)*

3 Changes in accounting policies upon adoption of new HKFRS

This note discloses the new accounting policies of HKFRS 16 “Leases” that have been applied from 1 January 2019 and explains the impact of the adoption on the Group’s unaudited interim financial statements.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative impact of the adoption as an adjustment to the retained earnings as of 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 “Leases”.

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.5%. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. All the recognised right-of-use assets of the Group relate to property leases.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

3 Changes in accounting policies upon adoption of new HKFRS (continued)

(i) Adjustments recognised on adoption of HKFRS 16 (continued)

The following table shows the impact on each individual line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)

	As at 31 December 2018 As originally presented HK\$'000	Impact on initial adoption of HKFRS 16 HK\$'000	As at 1 January 2019 As restated HK\$'000
Non-current assets			
Right-of-use assets	–	35,631	35,631
Non-current liabilities			
Lease liabilities	–	16,087	16,087
Current liabilities			
Lease liabilities	–	24,598	24,598
Equity			
Retained earnings	722,831	(5,054)	717,777

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

3 Changes in accounting policies upon adoption of new HKFRS (continued)

(ii) Impact on segment disclosure

Segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Right-of-use assets included in segment assets HK\$'000	Lease liabilities included in segment liabilities HK\$'000
Commercial properties	14,843	16,531
Industrial properties	12,335	14,350
Shops	21,578	23,916
	48,756	54,797

(iii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 “Determining whether an Arrangement contains a Lease”.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

3 Changes in accounting policies upon adoption of new HKFRS (continued)

(iv) Accounting policies

The Group leases various properties including offices and shop premises. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of HKFRS 16, leases of property and equipment were classified as either finance or operating leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to condensed consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Commitments under operating leases for future periods were not recognised by the Group as liabilities.

Under HKFRS 16, leases are recognised as a right-of-use asset and the corresponding liabilities at the dates at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) *(continued)*

3 Changes in accounting policies upon adoption of new HKFRS *(continued)*

(iv) Accounting policies (continued)

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

(v) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

4 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Agency fee	304,868	407,218
Revenues from other sources		
Rental income	11,214	3,781
Interest income from credit business	885	–
	12,099	3,781
Total revenues	316,967	410,999

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

4 Revenues and segment information (continued)

(b) Segment information (continued)

The Executive Directors assess 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, properties investment and credit business.

	Six months ended 30 June 2019					
	Property agency					
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Properties investment HK\$'000	Credit business HK\$'000	Total HK\$'000
Total revenues	162,880	58,897	91,564	11,214	885	325,440
Inter-segment revenues	(2,485)	(3,084)	(2,904)	-	-	(8,473)
Revenues from external customers	160,395	55,813	88,660	11,214	885	316,967
Timing of revenue recognition						
- At a point in time	160,395	55,813	88,660	-	-	304,868
Rental income	-	-	-	11,214	-	11,214
Interest income	-	-	-	-	885	885
	160,395	55,813	88,660	11,214	885	316,967
Segment results	23,518	11,138	(2,331)	8,471	619	41,415
Amortisation of right-of-use assets (lease)	(6,196)	(3,685)	(7,033)	-	-	(16,914)
Depreciation expenses of property and equipment	(90)	(325)	(1,295)	(111)	-	(1,821)
Net reversal of impairment/ (impairment) losses on financial assets	103	1,095	(1,676)	-	-	(478)
Additions to non-current assets	38	21	634	123	-	816

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

4 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2018				
	Property agency			Properties investment HK\$'000	Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000		
Total revenues	152,773	127,753	140,570	3,781	424,877
Inter-segment revenues	(3,987)	(7,834)	(2,057)	-	(13,878)
Revenues from external customers	148,786	119,919	138,513	3,781	410,999
Timing of revenue recognition					
- At a point in time	148,786	119,919	138,513	-	407,218
Rental income	-	-	-	3,781	3,781
	148,786	119,919	138,513	3,781	410,999
Segment results	25,059	16,856	30,777	4,382	77,074
Fair value gain on investment properties	-	-	-	2,523	2,523
Depreciation expenses of property and equipment	(104)	(537)	(958)	-	(1,599)
Net (impairment)/reversal of impairment losses on financial assets	(1,566)	1,977	(10,387)	-	(9,976)
Additions to non-current assets	73	425	1,521	372,479	374,498

NOTES TO THE CONDENSED CONSOLIDATED 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. Fair value (loss)/gain on convertible note, corporate expenses, finance income, interest on bank loans, interest on convertible note 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 statement of comprehensive income. The reporting revenue from external customers is the same as the total revenue per condensed consolidated statement of comprehensive income.

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Segment results for reportable segments	41,415	77,074
Fair value (loss)/gain on convertible note (note 5)	(982)	713
Corporate expenses	(15,161)	(15,530)
Finance income	5,078	1,832
Interest on bank loans	(2,013)	(79)
Interest on convertible note (note 14)	(3,785)	(3,632)
Profit before taxation per condensed consolidated statement of comprehensive income	24,552	60,378

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

4 Revenues and segment information (continued)

(b) Segment information (continued)

Segment assets and liabilities exclude other financial assets at amortised cost, corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reportable segment:

	As at 30 June 2019					Total HK\$'000
	Property agency			Properties investment HK\$'000	Credit business HK\$'000	
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000			
Segment assets	117,862	65,109	102,847	859,791	45,175	1,190,784
Segment liabilities	127,023	82,101	84,144	151,041	6	444,315

	As at 31 December 2018				
	Property agency			Properties investment HK\$'000	Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000		
Segment assets	71,782	64,894	61,479	857,234	1,055,389
Segment liabilities	64,593	84,955	44,956	152,610	347,114

NOTES TO THE CONDENSED CONSOLIDATED 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 2019 HK\$'000	As at 31 December 2018 HK\$'000
Segment assets	1,190,784	1,055,389
Corporate assets	570,311	598,599
Other financial assets at amortised cost	16,692	4,680
Deferred tax assets	3,014	2,452
Total assets per condensed consolidated balance sheet	1,780,801	1,661,120

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Segment liabilities	444,315	347,114
Corporate liabilities	197,596	191,789
Deferred tax liabilities	2,275	1,551
Total liabilities per condensed consolidated balance sheet	644,186	540,454

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

5 Other (loss)/income

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Fair value gain on investment properties	–	2,523
Fair value (loss)/gain on convertible note (note 14)	(982)	713
Others	14	338
	(968)	3,574

6 Taxation

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current		
Hong Kong profits tax	3,387	9,549
Deferred	162	941
	3,549	10,490

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profit for the period.

7 Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

8 Earnings per share

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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Profit attributable to equity holders	20,967	49,888
Effect on conversion of convertible note	4,767	2,919
Profit for calculation of diluted earnings per share	25,734	52,807
Weighted average number of shares for calculation of basic earnings per share (thousands)	1,805,283	1,805,283
Effect on conversion of convertible note (thousands)	434,783	434,783
Weighted average number of shares for calculation of diluted earnings per share (thousands)	2,240,066	2,240,066
Basic earnings per share (HK cents)	1.16	2.76
Diluted earnings per share (HK cents)	1.15	2.36

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 the convertible note. The convertible note is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the related expenses.

Diluted earnings per share for both periods did not assume the exercise of share option since the exercise of share options would have an anti-dilutive effect.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

9 Investment properties

	HK\$'000
At 31 December 2018 and 30 June 2019	855,300

No fair value changes (six months ended 30 June 2018: fair value gain of HK\$2,523,000) on investment properties were recognised during the period.

Investment properties of HK\$288,100,000 (as at 31 December 2018: HK\$288,100,000) are pledged as security for the Group's bank loans (note 13).

As at 30 June 2019, valuations were undertaken by Jones Lang LaSalle Limited, an independent qualified professional valuer. The valuer has appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties are generally derived using the income capitalisation method and direct comparison method, wherever appropriate. Income capitalisation 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. The prevailing market rents adopted in the valuation have reference to valuer's view of recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on sales prices of comparable properties in close proximity which are adjusted for differences in key attributes such as size, floor level, layout, view, frontage and accessibility etc.

As at 30 June 2019 and 31 December 2018, all investment properties are included in level 3 in the fair value hierarchy.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

9 Investment properties (continued)

Information about fair value measurements using significant unobservable inputs:

Office, industrial units and serviced apartments:

Range of significant unobservable inputs

Valuation method	Prevailing market rent per month	Unit price	Capitalisation rate
Income capitalisation	HK\$31.3 to HK\$41.1 per square foot (saleable) (31 December 2018: HK\$31.3 to HK\$41.1 per square foot (saleable))	N/A	2.75% to 3.8% (31 December 2018: 2.75% to 3.8%)
Direct comparison	N/A	HK\$4,450 to HK\$50,000 per square foot (31 December 2018: HK\$4,450 to HK\$50,000 per square foot)	N/A

Shops:

Range of significant unobservable inputs

Valuation method	Prevailing market rent per month	Capitalisation rate
Income capitalisation	HK\$82.0 per square foot (saleable) (31 December 2018: HK\$80.0 per square foot (saleable))	3.20% (31 December 2018: 3.13%)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

10 Trade and other receivables

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Trade receivables	243,084	198,893
Less: loss allowance	(28,217)	(29,830)
Trade receivables, net	214,867	169,063
Other receivables, prepayments and deposits	24,718	23,326
	239,585	192,389

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 aging analysis of the trade receivables is as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Current (not yet due)	149,565	135,398
Less than 30 days past due	38,247	13,146
31 to 60 days past due	14,121	5,700
61 to 90 days past due	4,536	8,989
More than 90 days past due	8,398	5,830
	214,867	169,063

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

11 Mortgage loan receivables

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

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Current (not yet due)	45,175	–

12 Share capital

	Number of issued shares (HK\$0.1 each)	Nominal value HK\$'000
As at 31 December 2018 and 30 June 2019	1,805,282,608	180,528

13 Bank loans

The Group's bank loans are repayable as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Secured bank loan with repayment on demand clause		
–repayable within 1 year	1,016	988
–repayable after 1 year but within 2 years	1,126	1,016
–repayable after 2 years but within 5 years	2,702	3,231
–repayable over 5 years	–	94
	4,844	5,329
Secured bank loan repayable over 5 years	131,000	131,000
	135,844	136,329

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

13 Bank loans (continued)

The bank loan with outstanding balance of HK\$4,844,000 (as at 31 December 2018: HK\$5,329,000) contains a repayment on demand clause and is classified as current liabilities. The above 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.

The bank loans are secured by investment properties of HK\$288,100,000 (as at 31 December 2018: HK\$288,100,000) held by the Group (note 9) and corporate guarantee given by the Company.

The Group's bank loans are denominated in Hong Kong dollars.

14 Convertible note

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due 22 March 2021 ("Maturity Date"), in the aggregate principal amount of HK\$200 million as part of the consideration of the acquisition of a subsidiary. The holder of the convertible note shall have the right to convert on or before the Maturity Date the whole or any part of the principal amount of the convertible note into fully paid ordinary shares of the Company with a par value of HK\$0.10 (after the effect of share consolidation) each at an initial conversion price of HK\$0.46 (after the effect of share consolidation) per ordinary share of the Company. Unless previously converted, purchased or cancelled, this note will be redeemed at their principal amount on the Maturity Date.

The movement of the liability component of convertible note recognised in the condensed consolidated balance sheet is set out below:

	2019 HK\$'000
At 1 January	180,411
Interest expenses	3,785
Fair value loss	982
At 30 June	185,178

The carrying amount of the liability component which approximates its fair value is calculated using cash flows discounted at market interest rate of 4.56% per annum as at 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

15 Trade and other payables

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Commissions and rebate payables	207,048	161,350
Other payables and accruals	49,747	49,924
	256,795	211,274

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 HK\$35,083,000 (as at 31 December 2018: HK\$21,020,000) which are due for payment within 30 days after period end, and all the remaining commissions and rebate payables are not yet due.

16 Capital commitments

The Group did not have any significant capital commitments as at 30 June 2019 and 31 December 2018.

17 Contingent liabilities

As at 30 June 2019, the Company executed corporate guarantee amounting to HK\$160,780,000 (as at 31 December 2018: HK\$160,780,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 30 June 2019, banking facilities of HK\$135,844,000 were utilised by subsidiaries (as at 31 December 2018: HK\$136,329,000).

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 consolidated 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

18 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	
		2019 HK\$'000	2018 HK\$'000
Agency fee income from related companies	(i)	12,925	9,810
Rental income in respect of office premise from a related company	(ii)	1,242	1,221
Rebate incentives to related companies	(iii)	(57,248)	(75,330)
Operating lease rental expense to other related parties	(iv)	–	(1,820)

Notes:

- (i) Agency fee income from related companies represents agency fee for property agency transactions referred to related companies on terms mutually agreed by both parties.
- (ii) The Group entered into lease agreement with a related company on terms mutually agreed by both parties.
- (iii) Rebate incentives to related companies represent rebate incentives for property agency transactions referred by related companies on terms mutually agreed by both parties.
- (iv) The Group entered into certain operating lease agreements with certain companies, of which the beneficial owner, Mr. WONG Kin Yip, Freddie, is a father of Ms. WONG Ching Yi, Angela, a director of the Company and the spouse of Ms. TANG Mei Lai, Metty, a director of the Company, on terms mutually agreed by both parties. Mr. WONG is also the director of Midland Holdings Limited, a substantial shareholder of the Company. The lease payments to these companies for the six months ended 30 June 2019 was HK\$1,962,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)

18 Significant related party transactions (continued)

(a) Transactions with related parties (continued)

The Group shared administrative and corporate services on a cost basis with an aggregate amount of HK\$4,174,000 with a related company (six months ended 30 June 2018: HK\$3,764,000).

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

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Trade receivables		
Amounts due from related companies	25,591	24,174
Trade payables		
Amounts due to related companies	(63,100)	(52,866)
Lease liabilities		
Amounts due to other related parties (note (a)(iv))	(8,965)	–

The related companies referred in notes (a) and (b) represented the subsidiaries of a substantial shareholder who has significant influence over the Group.

(c) Key management compensation

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Fees, salaries, allowances and incentives	2,710	5,112
Retirement benefit costs	19	18
	2,729	5,130

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

ADDITIONAL FINANCIAL INFORMATION

Following the adoption of HKFRS 16 on 1 January 2019, the Group's statutory results for the six months ended 30 June 2019 (the "Current Interim Period") are prepared under HKFRS 16, whereas the statutory results for the corresponding six months ended 30 June 2018 are prepared under HKAS 17 as previously reported. Hence, it is difficult to compare the financial information that is prepared under different bases.

As a result, the Group has provided, for reference only, an illustrative presentation of the Group's unaudited and unreviewed condensed consolidated statement of comprehensive income and unaudited and unreviewed condensed consolidated balance sheet for the Current Interim Period prepared as if reported under HKAS 17 to assist in understanding the financial position impacted by the adoption of HKFRS 16.

HKFRS 16 requires lessee to recognise 'right-of-use' assets with the corresponding lease liabilities for most of the property leases. On the adoption of HKFRS 16, the operating lease charges previously recorded in the consolidated statement of comprehensive income are now replaced by amortisation of right-of-use assets and interest expense on lease liabilities.

ADDITIONAL FINANCIAL INFORMATION (continued)

UNAUDITED AND UNREVIEWED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2019

	As published		For reference only
	Reported under HKFRS 16 For the six months ended 30 June 2019 HK\$'000	Reported under HKAS 17 For the six months ended 30 June 2018 HK\$'000	As if reported under HKAS 17 For the six months ended 30 June 2019 HK\$'000
Revenues	316,967	410,999	316,967
Other (loss)/income	(968)	3,574	(968)
Staff costs	(154,374)	(189,495)	(154,374)
Rebate incentives	(93,553)	(111,008)	(93,553)
Advertising and promotion expenses	(5,935)	(7,478)	(5,935)
Operating lease charges in respect of office and shop premises	-	(17,143)	(16,640)
Amortisation of right-of-use assets (lease)	(16,914)	-	-
Depreciation expenses of property and equipment	(1,861)	(1,645)	(1,861)
Net impairment losses on financial assets	(478)	(9,976)	(478)
Other operating costs	(16,899)	(15,571)	(16,899)
Operating profit	25,985	62,257	26,259
Finance income	5,078	1,832	5,078
Interest on bank loans	(2,013)	(79)	(2,013)
Interest on lease liabilities	(713)	-	-
Interest on convertible note	(3,785)	(3,632)	(3,785)
Profit before taxation	24,552	60,378	25,539
Taxation	(3,549)	(10,490)	(3,549)
Profit and total comprehensive income for the period	21,003	49,888	21,990
Profit and total comprehensive income attributable to			
Equity holders	20,967	49,888	21,954
Non-controlling interests	36	-	36
	21,003	49,888	21,990

ADDITIONAL FINANCIAL INFORMATION (continued)

UNAUDITED AND UNREVIEWED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019

	As published		For reference only
	<u>Reported under HKFRS 16</u> As at 30 June 2019 HK\$'000	<u>Reported under HKAS 17</u> As at 31 December 2018 HK\$'000	<u>As if reported under HKAS 17</u> As at 30 June 2019 HK\$'000
Non-current assets			
Right-of-use assets	48,756	-	-
Other non-current assets	880,155	868,591	880,155
	928,911	868,591	880,155
Current assets	851,890	792,529	851,890
Total assets	1,780,801	1,661,120	1,732,045
Equity holders			
Share capital and share premium	925,614	925,614	925,614
Reserves	203,204	187,291	209,245
	1,128,818	1,112,905	1,134,859
Non-controlling interests	7,797	7,761	7,797
Total equity	1,136,615	1,120,666	1,142,656

ADDITIONAL FINANCIAL INFORMATION (continued)

UNAUDITED AND UNREVIEWED CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 30 June 2019

	As published		For reference only
	<u>Reported under HKFRS 16</u> As at 30 June 2019 HK\$'000	<u>Reported under HKAS 17</u> As at 31 December 2018 HK\$'000	<u>As if reported under HKAS 17</u> As at 30 June 2019 HK\$'000
Non-current liabilities			
Lease liabilities	18,284	-	-
Other non-current liabilities	318,453	312,962	318,453
	336,737	312,962	318,453
Current liabilities			
Lease liabilities	36,513	-	-
Other current liabilities	270,936	227,492	270,936
	307,449	227,492	270,936
Total liabilities	644,186	540,454	589,389
Total equity and liabilities	1,780,801	1,661,120	1,732,045