



(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)

掌握機遇 拓新發展

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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. CHU Kuo Fai, Gordon
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
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

Lu, Lai & Li Solicitors & Notaries
Rooms 2201, 2201A & 2202
22nd Floor, Tower I
Admiralty Centre
No. 18 Harcourt Road, Admiralty
Hong Kong

CAYMAN ISLANDS LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers 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
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WEBSITE

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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”) is pleased to report that it recorded a consolidated net profit of approximately HK\$44,707,000 for the six months ended 30 June 2017 (the “Interim Period”) as compared to the consolidated net loss of approximately HK\$9,171,000 for the corresponding period in 2016.

The turnaround of the Group’s results was mainly attributable to:

1. an increase in the number and value of non-residential sales transactions in Hong Kong in the first six months of 2017 as compared to that of 2016; and
2. costs control.

Across-the-board recovery

During the reporting period, the market was significantly different from that in the first half of 2016. The local economy has improved whilst the wealth effect resulted from the upsurge of the equities market has fueled local consumption and retail sales. The number of tourist arrivals also increased in the first half of the year. Most importantly, the GDP growth has accelerated.

According to the figures from the Land Registry, the number of non-residential property registrations increased by 61.6% in the first half of the year. The transaction value of all types of commercial properties posted significant gains. The office sector outperformed the other sectors and registered a growth of more than 200% in registration number.

Indeed, the office sector has been gaining strength since the final quarter of last year with mainland enterprises playing an important role. At the end of 2016, the Shenzhen-Hong Kong Stock Connect was launched. This scheme together with the Shanghai-Hong Kong Stock Connect, helped cement Hong Kong’s position as an international financial center. Fund flowing from the north has been on a rising trend and prompted the expansion of mainland financial institutions.

In the first half of 2017, although there were no mega deals such as Evergrande paying HK\$16.1 billion for the Mass Mutual Tower in 2015, en-bloc commercial properties for self-use or investment purposes are still in great demand.

LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Business Review (continued)

Improvements in operation efficiency

In the first half of the year, rental expenses together with some other expenses dropped. Despite the increase in revenue, the Group managed to reduce expenditure spending. The proactive cost containing measures included (1) branch relocations which took place in last year, and their impacts were reflected during the reporting period; and (2) the restructuring of the shop division of Hong Kong Property.

Other than the achievements in cost savings, the Group also had good performances in the high-end segment. In the first half of the year, the Group brokered a number of transactions valued at above HK\$100 million. Two of the most remarkable deals were the en-bloc building in Kwun Tong transacted at over HK\$350 million and the en-bloc commercial building in Causeway Bay transacted at over HK\$1.6 billion.

Outlook

The overall economy showed signs of recovery in the first six months of the year on the back of improving macro-economic environments. The economies of the US, the Euro-Zone and mainland China are all showing resilience after experiencing a volatile year of 2016. Notably, performance of the mainland economy is better than the market expectation.

As the mainland economic environment stabilizes, the number of mainland tourists visiting Hong Kong is expected to go up and the overall business conditions, especially retail sales will benefit. The considerably low cost of funding has also provided support to the growth of the local economy whilst the ample liquidity in Hong Kong has helped cushion the impacts of interest rate hikes in the US.

Despite the relatively stable economic environment, we remain cautiously optimistic about the commercial and industrial property market in Hong Kong. Ongoing concerns arising from tensions between the US and North Korea, Brexit negotiations, stability of Trump's administration, the impacts of interest rate hikes and the long-anticipated shrinkage of the balance sheets of the US Federal Reserve and other major central banks will cast some doubt on the economic outlook.

LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Outlook (continued)

Office sector outperforming

The office sector is expected to keep outperforming in the near term. The back-to-back record-breaking land sales results in May boded well for the office sector. Demand for Grade A office has strengthened since the sites on Murray Road and in Kai Tak were sold. The escalating prices for the prime buildings have prompted demand to spill over to Grade B premises.

The shop sector is likely to fare well too. After a sharp price correction, retail properties have begun to appeal to long-term investors. Meanwhile, the stabilization of rental returns resulting from the revival of the retail sector will further strengthen the demand for shops.

The industrial property sector is likely to remain stable. Low interest rate is the key supporting factor. As long as the cost of borrowing is low, general investors will consider to go for industrial properties which are not as expensive as other types of properties. Moreover, if the scheme of revitalization of industrial buildings is relaunched by the government, demand for industrial premises is likely to strengthen.

Position strengthening

The commercial properties market has heated up, and the Group will act proactively to strengthen its market position. The government measures aimed at discouraging investors to purchase multiple new residential units under a single sale and purchase contract will shift their investment focus to the commercial sector. At the high end segment, the Group will strive to forge a solid tie with the mainland enterprises to take advantage of the increasing number of mainland enterprises establishing or expanding their operations in Hong Kong. It is highly likely that the number of Grade A buildings bearing the names of mainland enterprises will increase in the next decade. At the mass end, the Group will continue to help novice investors to acquire commercial properties and will put more effort in penetrating into the low end segment.

During the reporting period, the Group acquired an en-bloc building in Nos. 33 and 35 Java Road, Hong Kong. Certificate of completion of building works was submitted by the authorised person to the relevant authority. Subject to the issuance of formal acknowledgement by the relevant authority, the property is expected to be used as serviced apartments and shops in the second half of 2017.

LETTER FROM CHIEF EXECUTIVE OFFICER *(continued)*

Appreciation

I would like to take this opportunity to express my gratitude to all the staff for their hard work and dedication and to all our shareholders and customers for their continued support.

WONG Hon Shing, Daniel
Chief Executive Officer

Hong Kong, 29 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisition

On 10 January 2017, the Group entered into an acquisition agreement pursuant to which the Group acquired the entire issued shares of Most Wealth (Hong Kong) Limited ("Most Wealth") (the "Acquisition"). The principal asset of Most Wealth is a property located at Nos. 33 and 35 Java Road, Hong Kong. The consideration was settled by a combination of (i) the allotment and issue of 4,347,826,086 shares (before the effect of share consolidation) of the Company; and (ii) the issue of convertible note with principal amount of HK\$200 million. The consideration was subject to cash adjustment, which was paid in cash and was determined with reference to the other assets and liabilities of Most Wealth as at the completion date. The Acquisition was completed on 22 March 2017. For details, please refer to the Company's announcements dated 10 January 2017 and 22 March 2017 and the circular dated 17 February 2017.

Liquidity, Financial Resources and Funding

As at 30 June 2017, the Group had cash and bank balances of HK\$710,524,000 (as at 31 December 2016: HK\$657,661,000), whilst bank loan amounted to HK\$6,767,000 (as at 31 December 2016: HK\$7,243,000) and unsecured zero coupon convertible note of HK\$172,008,000 (as at 31 December 2016: Nil).

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

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Bank loan (<i>Note</i>)		
– repayable within 1 year	971	951
– repayable after 1 year but within 2 years	991	973
– repayable after 2 years but within 5 years	3,095	3,062
– repayable over 5 years	1,710	2,257
	6,767	7,243
Convertible note		
– repayable after 2 years but within 5 years	172,008	–

Note: 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity, Financial Resources and Funding (continued)

The Group's bank loan was secured by investment properties held by the Group of HK\$66,500,000 (as at 31 December 2016: HK\$64,400,000). As at 30 June 2017, the Group had unutilised borrowing facilities amounting to HK\$15,000,000 (as at 31 December 2016: 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 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 2017, the gearing ratio of the Group was 17.5% (as at 31 December 2016: 1.0%). The gearing ratio is calculated on the basis of the Group's total bank loan and convertible note over the total equity of the Group. Increase in gearing ratio was due to the issue of convertible note for the Acquisition. 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 3.3 (as at 31 December 2016: 3.5). The return on equity of the Group, which is the ratio of profit/(loss) for the period over the total equity of the Group was 4.4% (six months ended 30 June 2016: -1.3%).

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.

Capital Structure and Foreign Exchange Exposure

With the approval of the shareholders at an extraordinary general meeting held on 27 June 2017, every 10 issued and unissued ordinary shares with a par value of HK\$0.01 each were consolidated into 1 ordinary share with a par value of HK\$0.10 each in the share capital of the Company. The share consolidation was effective on 28 June 2017.

Save for the issue of shares and convertible note in relation to the Acquisition and the share consolidation, there was no material change in the Group's capital structure during the period. The Group generally finances its operations and investing activities with equity holders' 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Contingent Liabilities

As at 30 June 2017, the Company executed corporate guarantees amounting to HK\$29,780,000 (as at 31 December 2016: HK\$29,780,000) as the securities for general banking facilities and a bank loan granted to certain wholly-owned subsidiaries. As at 30 June 2017, banking facilities of HK\$6,767,000 were utilised by a subsidiary (as at 31 December 2016: HK\$7,243,000).

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

Employee Information

As at 30 June 2017, the Group employed 676 full-time employees (as at 31 December 2016: 657).

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, incentives tied in with profits and share options may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits. In respect of staff development, both in-house and external training and development programmes are conducted on a regular basis.

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2017, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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 voting shares of the Company
Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	527,697,680 (Note 1)	434,782,608 (Note 2)	962,480,288	53.31%
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	2,000,000	1,500,000 (Note 3)	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 by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as ultimate beneficial owner.
- Such interests in underlying shares (being unlisted physically settled derivatives) represent 434,782,608 shares to be issued to Wealth Builder Holdings Limited, a company indirectly wholly owned by Mr. WONG Kin Yip, Freddie, upon exercise of the conversion right attached to the convertible note due 2021 in principal amount of HK\$200 million at conversion price at HK\$0.46 issued by the Company pursuant to an acquisition agreement dated 10 January 2017 (the "Acquisition Agreement").
- 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. Details of his share options granted by the Company are set out in the section headed "Share Option Scheme" in this interim report.

Save as disclosed above, as at 30 June 2017, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION *(continued)*

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 2017, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Midland Holdings Limited ("Midland Holdings")	610,976,997 <i>(Note 1)</i>	Interest of controlled corporation/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	48.16%
Wealth Builder Holdings Limited ("Wealth Builder")	869,565,216 <i>(Note 2)</i>	Beneficial owner/ Beneficial interest	48.16%

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)*

Name of substantial shareholder	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Mr. WONG Kin Yip, Freddie <i>(Note 5)</i>	12,245,000 <i>(Note 3)</i>	Beneficial owner/ Beneficial interest	0.68%
	950,235,288 <i>(Note 4)</i>	Interest of controlled corporation/Corporate interest	52.63%

Notes:

1. Midland Holdings was deemed to be interested in the 610,976,997 shares held by its indirectly wholly-owned subsidiary, Valuewit, under the SFO.
2. Luck Gain, which is directly wholly-owned by Mr. WONG Kin Yip, Freddie, was deemed to be interested in the 434,782,608 shares and 434,782,608 underlying shares held by its directly wholly-owned subsidiary, Wealth Builder under the SFO. Such interests in underlying shares (being unlisted physically settled derivatives) represent 434,782,608 shares to be issued to Wealth Builder upon exercise of the conversion right attached to the convertible note due 2021 in principal amount of HK\$200 million at conversion price at HK\$0.46 issued by 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 shares held by Sunluck Services Limited which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his directly wholly-owned company, namely Southern Field Trading Limited; and (ii) 434,782,608 shares and 434,782,608 underlying shares held by Wealth Builder as mentioned in note 2 above, under the SFO.
5. The 527,697,680 shares and 434,782,608 underlying shares held by Mr. WONG Kin Yip, Freddie relate to the same block of 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".

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)

Save as disclosed above, as at 30 June 2017, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 of the Company granted under the Share Option Scheme during the Interim Period were as follows:

Name	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 30 June 2017	Exercisable period
			Balance outstanding as at 1 January 2017	Granted during the Interim Period	Cancelled/lapsed during the Interim Period	Exercised during the Interim Period		
Director of the Company								
Mr. WONG Hon Shing, Daniel	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2016 to 14 December 2019

OTHER INFORMATION (continued)

Share Option Scheme (continued)

Name	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 30 June 2017	Exercisable period
			Balance outstanding as at 1 January 2017	Granted during the Interim Period	Cancelled/lapsed during the Interim Period	Exercised during the Interim Period		
Other participants								
Directors of Midland Holdings								
Mr. WONG Tsz Wa, Pierre	10 December 2014	0.44	30,000,000	-	-	-	3,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	30,000,000	-	-	-	3,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	30,000,000	-	-	-	3,000,000	15 December 2016 to 14 December 2019
Mr. CHEUNG Kam Shing	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	5,000,000	-	-	-	500,000	15 December 2016 to 14 December 2019
Ms. IP Kit Yee, Kitty	10 December 2014	0.44	3,330,000	-	-	-	333,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	3,330,000	-	-	-	333,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	3,340,000	-	-	-	334,000	15 December 2016 to 14 December 2019
Total			125,000,000	-	-	-	12,500,000	

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

OTHER INFORMATION (continued)

Share Option Scheme (continued)

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

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

Interim Dividend

The board of Directors (the "Board") does not declare an interim dividend for the Interim Period (for the six months ended 30 June 2016: Nil).

Review of Financial Statements

The audit committee of the Company has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim financial information of the Group for the Interim Period from pages 18 to 42 in this interim report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The audit committee has also reviewed this interim report.

Change of Company Name of Principal Share Registrar and Transfer Office in the Cayman Islands

The company name of the principal share registrar and transfer office of the Company in the Cayman Islands has been changed from Codan Trust Company (Cayman) Limited to Conyers Trust Company (Cayman) Limited with effect from 30 March 2017.

The address of the principal share registrar and transfer office in the Cayman Islands remains unchanged.

OTHER INFORMATION (continued)

Acquisition of a Property in Hong Kong

On 10 January 2017, Beyond Summit Investments Limited, a wholly-owned subsidiary of the Company, as purchaser and Mr. WONG Kin Yip, Freddie, being the chairman and non-executive director of Midland Holdings (as at the date of this interim report, Mr. WONG Kin Yip, Freddie is the chairman and executive director of Midland Holdings) as well as the spouse of Ms. TANG Mei Lai, Metty and the father of Ms. WONG Ching Yi, Angela, as seller entered into an acquisition agreement, pursuant to which the purchaser has conditionally agreed to acquire and the seller has conditionally agreed to sell the entire issued shares of Most Wealth, a company wholly owned by Mr. WONG Kin Yip, Freddie, at a consideration of HK\$400,000,000. The consideration was settled by a combination of (i) the allotment and issue of 4,347,826,086 shares (before the effect of share consolidation) of the Company; and (ii) the issue of the convertible note in the principal amount of HK\$200,000,000. The principal asset of Most Wealth is the entire interest in a property located at Nos. 33 and 35 Java Road, Hong Kong. The acquisition constituted major and connected transactions of the Company under the Listing Rules and was approved by the independent shareholders of the Company at the extraordinary general meeting held on 6 March 2017. Completion took place on 22 March 2017.

Share Consolidation

The share consolidation on the basis that every ten (10) issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share of HK\$0.1 each in the share capital of the Company was approved by the shareholders of the Company at the extraordinary general meeting held on 27 June 2017 and became effective on 28 June 2017. Adjustments have been made to the share options and convertible note. Please refer to the Company's announcements dated 18 May 2017 and 27 June 2017 and the Company's circular dated 9 June 2017 for details.

OTHER INFORMATION (continued)

Changes in Directors' Information

Changes in the information of Directors of the Company since the disclosure made in the 2016 annual report of the Company, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Ms. TANG Mei Lai, Metty has been re-designated as an Executive Director of the Company with effect from 26 June 2017. Upon her re-designation, she is entitled to an annual director's fee of HK\$280,000 with discretionary bonus.
2. Ms. TANG Mei Lai, Metty retired as an executive director of Midland Holdings with effect from the conclusion of the annual general meeting of Midland Holdings held on 28 June 2017.
3. Mr. HO Kwan Tat, Ted has been appointed as an independent non-executive director of Midland Holdings with effect from the conclusion of the annual general meeting of Midland Holdings held on 28 June 2017.
4. With effect from 1 April 2017, Mr. WONG Hon Shing, Daniel's monthly fee has been increased to HK\$120,000 and the extra payment equal to his monthly fee was cancelled.

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 2017

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenues	4	313,443	231,041
Other income/(loss)	5	2,795	(691)
Staff costs		(161,615)	(110,731)
Rebate incentives		(56,088)	(76,311)
Advertising and promotion expenses		(7,199)	(7,225)
Operating lease charges in respect of office and shop premises		(16,754)	(20,672)
Impairment of receivables		(3,784)	(8,492)
Depreciation expenses		(1,554)	(2,083)
Other operating costs		(13,262)	(14,445)
Operating profit/(loss)		55,982	(9,609)
Finance income		844	1,080
Finance costs	6	(2,616)	(77)
Profit/(loss) before taxation		54,210	(8,606)
Taxation	7	(9,503)	(565)
Profit/(loss) and total comprehensive income/(loss) for the period attributable to equity holders		44,707	(9,171)
Earnings/(loss) per share	9	HK cents	HK cents (Restated)
Basic		2.77	(0.67) ¹
Diluted		2.54	(0.67) ¹

¹ Adjusted for the effect of share consolidation on 28 June 2017.

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2017

	Note	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
ASSETS			
Non-current assets			
Property and equipment		3,421	4,793
Investment properties	10	66,500	64,400
Investment property under development	11	415,000	–
Deferred taxation assets		1,650	2,280
		486,571	71,473
Current assets			
Trade and other receivables	12	307,088	265,097
Tax recoverable		1,589	1,812
Cash and bank balances		710,524	657,661
		1,019,201	924,570
Total assets		1,505,772	996,043
EQUITY AND LIABILITIES			
Equity holders			
Share capital	13	180,528	137,050
Share premium	13	745,086	549,433
Reserves		93,932	42,823
Total equity		1,019,546	729,306

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

As at 30 June 2017

	Note	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Non-current liabilities			
Deferred taxation liabilities		736	631
Convertible note	15	172,008	–
		172,744	631
Current liabilities			
Trade and other payables	14	295,196	256,469
Bank loan		6,767	7,243
Taxation payable		11,519	2,394
		313,482	266,106
Total liabilities		486,226	266,737
Total equity and liabilities		1,505,772	996,043

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total equity HK\$'000
At 1 January 2017	137,050	549,433	42,823	729,306
Comprehensive income				
Profit for the period	-	-	44,707	44,707
Transaction with owners				
Issue of new shares for the Acquisition (Note 13)	43,478	195,653	-	239,131
Equity component of convertible note issued	-	-	6,402	6,402
At 30 June 2017	180,528	745,086	93,932	1,019,546
At 1 January 2016	137,050	549,433	24,318	710,801
Comprehensive loss				
Loss for the period	-	-	(9,171)	(9,171)
Transaction with owners				
Employee share options scheme - value of employee services	-	-	211	211
At 30 June 2016	137,050	549,433	15,358	701,841

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	32,982	(48,997)
Net cash generated from investing activities	20,357	966
Net cash used in financing activity		
– Repayment of bank loan	(476)	(470)
Net increase/(decrease) in cash and cash equivalents	52,863	(48,501)
Cash and cash equivalents at 1 January	657,661	675,291
Cash and cash equivalents at 30 June	710,524	626,790

Refer to Note 16 for the details of the non-cash transactions carried out during Interim Period.

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 Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

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

For the period ended 30 June 2016, the ultimate holding company was Midland Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong. On 23 December 2016, Midland Holdings Limited paid dividend in specie by distributing 5 shares of the Company for every 1 share held by its own shareholders. After the distribution, Midland Holdings Limited ceased to be the ultimate holding company but maintains significant influence over the Group.

Significant event and transaction

On 10 January 2017, the Group entered into an acquisition agreement to acquire the entire shares of Most Wealth, a company wholly owned by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), being the director of Midland Holdings Limited. Details of the Acquisition are set out in Note 16.

This unaudited condensed consolidated interim financial information has been approved by the Board on 29 August 2017.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared under the historical cost convention as modified by the revaluation of investment properties, investment property under development 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 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

3 Significant accounting policies

The principal accounting policies applied 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 2016, as described in those annual financial statements, except for the adoption of amendments effective for the financial year ending 31 December 2017 and policies described below.

(a) *Investment property under development*

Investment property under development is measured initially at its cost, including related transaction costs. After initial recognition, the investment property under development is carried at fair value, representing estimated market value (i.e. the estimated gross development value) determined at each reporting date by qualified valuer.

(b) *Convertible note*

The convertible note of the Group is issued as part of the consideration for the Acquisition. The transaction is a share-based payment. For share-based payment transactions in which the Group has granted the counterparty the right to choose whether a share-based payment transaction is settled in cash or by issuing equity instruments, the Group has granted a compound financial instrument, which includes a debt component (i.e. the counterparty's right to demand payment in cash) and an equity component (i.e. the counterparty's right to demand settlement in equity instruments rather than in cash). For transactions with parties other than employees, in which the fair value of the goods or services received is measured directly, the Group measures the equity component of the compound financial instrument as the difference between the fair value of the goods or services received and the fair value of the debt component, at the date when the goods or services are received.

The Group accounts separately for the goods or services received or acquired in respect of each component of the compound financial instrument. For the debt component, the Group recognises the goods or services acquired, and a liability to pay for those goods or services, as the counterparty supplies goods or renders service, in accordance with the requirements applying to cash-settled share-based payment transactions. For the equity component, the Group recognises the goods or services received, and an increase in equity, as the counterparty supplies goods or renders service, in accordance with the requirements applying to equity-settled share-based payment transactions.

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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

3 Significant accounting policies (continued)

(c) Amendments effective in 2017

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

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

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

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

		<u>Effective for accounting periods beginning on or after</u>
Annual Improvements Project	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**3 Significant accounting policies** (continued)*(d) New standards, interpretation and amendments which are not yet effective (continued)*

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

4 Revenues and segment information*(a) Revenues*

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Agency fee	312,180	229,889
Rental income	1,263	1,152
Total revenues	313,443	231,041

(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 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 businesses which are principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops. Upon the completion of the Acquisition, a new operating segment namely "property investment" is formed. Prior period comparative segment information has been restated accordingly to conform with the presentation in the current period.

	Six months ended 30 June 2017				
	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Property investment HK\$'000	
Total revenues	150,628	86,595	83,957	1,263	322,443
Inter-segment revenues	(3,925)	(3,894)	(1,181)	-	(9,000)
Revenues from external customers	146,703	82,701	82,776	1,263	313,443
Segment results	42,719	15,469	7,740	3,277	69,205
Fair value gain on investment properties	-	-	-	2,100	2,100
Write back/(impairment) of receivables	618	(2,906)	(1,496)	-	(3,784)
Depreciation expenses	(137)	(454)	(926)	-	(1,517)
Additions to non-current assets	16	22	88	415,000	415,126

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2016 (Restated)				Total HK\$'000
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Property investment HK\$'000	
Total revenues	100,451	59,428	78,080	1,152	239,111
Inter-segment revenues	(3,169)	(3,038)	(1,863)	-	(8,070)
Revenues from external customers	97,282	56,390	76,217	1,152	231,041
Segment results	10,840	(196)	(5,932)	421	5,133
Fair value loss on investment properties	-	-	-	(700)	(700)
Impairment of receivables	(4,095)	(2,386)	(2,011)	-	(8,492)
Depreciation expenses	(460)	(573)	(974)	-	(2,007)
Additions to non-current assets	8	8	79	-	95

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 related party, corporate expenses, finance income, finance costs and taxation are not included in the segment results.

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**4 Revenues and segment information** (continued)*(b) Segment information (continued)*

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/(loss) before taxation is provided as follows:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000 (Restated)
Segment results for reportable segments	69,205	5,133
Service fee from a related party	692	-
Corporate expenses	(13,915)	(14,742)
Finance income	844	1,080
Finance costs	(2,616)	(77)
Profit/(loss) before taxation per consolidated statement of comprehensive income	54,210	(8,606)

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, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reporting segments:

	As at 30 June 2017				
	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Property investment HK\$'000	
Segment assets	125,164	100,561	82,095	482,554	790,374
Segment liabilities	101,507	101,699	71,106	27,252	301,564

	As at 31 December 2016 (Restated)				
	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Property investment HK\$'000	
Segment assets	96,155	68,047	101,668	64,523	330,393
Segment liabilities	81,472	70,366	88,707	7,724	248,269

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000 (Restated)
Segment assets	790,374	330,393
Corporate assets	713,748	663,370
Deferred taxation assets	1,650	2,280
Total assets per consolidated balance sheet	1,505,772	996,043

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000 (Restated)
Segment liabilities	301,564	248,269
Corporate liabilities	183,926	17,837
Deferred taxation liabilities	736	631
Total liabilities per consolidated balance sheet	486,226	266,737

5 Other income/(loss)

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Service fee from a related party (Note 19(a))	692	-
Fair value gain/(loss) on investment properties	2,100	(700)
Others	3	9
	2,795	(691)

6 Finance costs

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Finance costs		
Interest on bank loan	75	77
Interest on convertible note	2,541	-
	2,616	77

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

7 Taxation

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Current		
Hong Kong profits tax	8,750	1,345
Deferred	753	(780)
	9,503	565

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profit for the period.

8 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**9 Earnings/(loss) per share**

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

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000 (Restated)
Profit/(loss) attributable to equity holders	44,707	(9,171)
Effect on interest expenses of convertible note	2,541	-
Profit/(loss) for calculation of diluted earnings/(loss) per share	47,248	(9,171)
Weighted average number of shares for the calculation of basic earnings/(loss) per share (thousands) (Note)	1,613,113	1,370,500
Effect on conversion of convertible note (thousands)	242,613	-
Effect on conversion of share options (thousands)	1,505	-
Weighted average number of shares for the calculation of diluted earnings/(loss) per share (thousands)	1,857,231	1,370,500
Basic earnings/(loss) per share (HK cents)	2.77	(0.67)
Diluted earnings/(loss) per share (HK cents)	2.54	(0.67)

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

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

9 Earnings/(loss) per share (continued)

In calculating the diluted earnings/(loss) per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options and the convertible note. For the six months ended 30 June 2017, 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. The convertible note is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense.

Diluted loss per share for the six months ended 30 June 2016 did not assume the exercise of share option since the exercise of share options would have an anti-dilutive effect.

Note: The weighted average number of shares and the basic and diluted loss per share for the six months ended 30 June 2016 are adjusted retrospectively to take into account the effect of the share consolidation during the period (Note 13(b)) as if it had taken place before the beginning of the comparative period.

10 Investment properties

Investment properties with net book value of HK\$66,500,000 (as at 31 December 2016: HK\$64,400,000) are pledged as security for the Group's bank loan.

As at 30 June 2017, valuations were undertaken by Midland Surveyors Limited, a related party and a qualified professional valuer with 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. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuer's view of recent lettings within the subject property and other comparable properties.

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**11 Investment property under development**

Investment property under development is a property located at Nos. 33 and 35 Java Road, Hong Kong. It was acquired during the period (as detailed in Note 16) and is expected to be used as serviced apartments and shops.

As at 30 June 2017, valuations were undertaken by Jones Lang LaSalle Limited, an independent qualified professional valuer with 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. 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. 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. The prevailing market rents adopted in the valuation have reference to valuer's view of recent lettings of other comparable properties.

12 Trade and other receivables

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Trade receivables	318,035	284,218
Less: provision for impairment	(29,666)	(38,754)
Trade receivables, net	288,369	245,464
Other receivables, prepayments and deposits	18,719	19,633
	307,088	265,097

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

12 Trade and other receivables (continued)

Trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon 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 2017 HK\$'000	As at 31 December 2016 HK\$'000
Not yet due	264,629	228,122
Less than 30 days	5,797	8,824
31 to 60 days	9,604	2,455
61 to 90 days	2,843	4,637
91 to 180 days	4,488	726
Over 180 days	1,008	700
	288,369	245,464

13 Share capital and share premium

	Note	Number of issued shares	Nominal value HK\$'000
As at 31 December 2016		13,705,000,000	137,050
Issue of new shares for the Acquisition	(a)	4,347,826,086	43,478
Share consolidation	(b)	(16,247,543,478)	-
As at 30 June 2017		1,805,282,608	180,528

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**13 Share capital share premium** (continued)

Notes:

- (a) The Company issued 4,347,826,086 shares (before the effect of share consolidation) on 22 March 2017 as part of the consideration of the Acquisition (Note 16). The ordinary shares issued have the same rights as the other shares in issue. Based on the closing share price of the Company on 22 March 2017 of HK\$0.055 per share (before the effect of share consolidation), the fair value of the shares issued amounted to HK\$239,131,000. The issuance of shares resulted in an increment in nominal value of HK\$43,478,000 (HK\$0.01 per share before the effect of share consolidation) and increase in share premium of HK\$195,653,000.
- (b) With the approval of the shareholders at an extraordinary general meeting held on 27 June 2017, every 10 issued and unissued ordinary shares of HK\$0.01 each were consolidated into 1 share of HK\$0.10 each in the share capital of the Company. The share consolidation was effective on 28 June 2017. The exercise prices of share options and the total number of shares to be issued upon exercise of the outstanding share options, and the conversion price of the convertible note of the Company are adjusted accordingly.

14 Trade and other payables

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Commissions and rebate payables	251,897	224,170
Other payables and accruals	43,299	32,299
	295,196	256,469

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$23,808,000 (as at 31 December 2016: HK\$18,117,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period end. All the remaining commissions and rebate payables are not yet due.

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

15 Convertible note

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due on 22 March 2021 (the "Maturity Date"), in the aggregate principal amount of HK\$200 million as part of the consideration for the Acquisition (Note 16). 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 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:

	HK\$'000
Fair value of liability component on initial recognition as at 22 March 2017	169,467
Interest expenses	2,541
Fair value of liability component as at 30 June 2017	172,008

The fair value of the liability component is calculated using cash flows discounted at market interest rate of 4.13% per annum as at 30 June 2017.

16 Acquisition of a subsidiary

On 10 January 2017, the Group entered into an acquisition agreement (the "Acquisition Agreement") with Mr. WONG, the director of Midland Holdings Limited. Mr. WONG is also the spouse of Ms. TANG Mei Lai, Metty, a director of the Company, and father of Ms. WONG Ching Yi, Angela, a director of the Company. Pursuant to the Acquisition Agreement, the Group acquired the entire issued shares of Most Wealth. The consideration for the Acquisition was settled by a combination of (i) allotment and issue of 4,347,826,086 shares (before the effect of share consolidation) of the Company; and (ii) the issue of convertible note in the principal amount of HK\$200,000,000. The consideration was subject to cash adjustment, which was paid in cash and was determined with reference to the other assets and liabilities of Most Wealth as at the completion date. The Acquisition was completed on 22 March 2017 (the "Acquisition Date").

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

16 Acquisition of a subsidiary (continued)

The principal asset of Most Wealth is the entire interest in a property located at Nos. 33 and 35 Java Road, Hong Kong. Given there was no business activity carried out by Most Wealth, the Acquisition was accounted for as an asset acquisition.

The fair values of the assets acquired and the liabilities assumed at the Acquisition Date are analysed as follows:

	HK\$'000
Assets and liabilities	
Investment property under development	396,282
Deferred taxation assets	18
Other receivables and prepayments	262
Cash and cash equivalents	25,864
Other payables and accruals	(7,285)
Taxation payable	(664)
	<hr/>
Total identifiable net assets acquired	414,477

The fair value of consideration and net cash inflow from the Acquisition are as follows:

	HK\$'000
Fair value of share consideration (Note 13)	239,131
Fair value of convertible note	
– Liability component (Note 15)	169,467
– Equity component	6,402
Less: cash adjustment received from Mr. WONG	(523)
	<hr/>
Fair value of consideration paid	414,477
	<hr/>
Cash adjustment received from Mr. WONG	523
Add: cash and cash equivalents acquired	25,864
	<hr/>
Net cash inflow	26,387

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**17 Capital commitment**

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

18 Contingent liabilities

As at 30 June 2017, the Company executed corporate guarantee amounting to HK\$29,780,000 (as at 31 December 2016: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 30 June 2017, banking facilities of HK\$6,767,000 were utilised by a subsidiary (as at 31 December 2016: HK\$7,243,000).

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

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

19 Significant related party transactions

The Group had the following significant transactions with related parties during the period and balances with related parties at the balance sheet date:

(a) Transactions with related parties

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Agency fee income from:	(i)		
– fellow subsidiaries		–	6,851
– other related parties	(vi)	12,076	–
Rental income in respect of office premise from:	(ii)		
– a fellow subsidiary		–	1,132
– other related parties	(vi)	1,238	–
Service fee from a related party	(iii)	692	–
Rebate incentives to:	(iv)		
– fellow subsidiaries		–	(52,642)
– other related parties	(vi)	(41,745)	–
Operating lease rental expense to related companies	(v)	(1,686)	(1,662)

Notes:

- (i) Agency fee income from fellow subsidiaries/other related parties represents agency fee for property parties agency transactions referred to fellow subsidiaries/other related parties on terms mutually agreed by both parties.
- (ii) The Group entered into lease agreements with fellow subsidiaries/other related parties on terms mutually agreed by both parties.
- (iii) During the period ended 30 June 2017, service fee income from a related party represented service fee for assistance provided by the Group in procuring the issuance of cashier's orders to prospective purchasers of primary residential properties referred by a related party. The service fee is charged on terms mutually agreed by both parties.
- (iv) Rebate incentives to fellow subsidiaries/other related parties represent commission for property agency transactions referred by fellow subsidiaries/other related parties on terms mutually agreed by both parties.

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

19 Significant related party transactions (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

- (v) The Group entered into certain operating lease agreements with certain related companies, of which the beneficial owner, Mr. WONG, is the father of Ms. WONG Ching Yi, Angela, a director of the Company and spouse of Ms. TANG Mei Lai, Metty, a director of the Company, on terms mutually agreed by both parties. Mr. WONG is also a director of Midland Holdings Limited.
- (vi) After the distribution of the Company's shares by Midland Holdings Limited in December 2016 (Note 1), the fellow subsidiaries in notes (i), (ii) and (iv) were regarded as "other related parties", being the subsidiaries of a substantial shareholder who has significant influence over the Group.

The Group shared administrative and corporate services fee with its other related parties (six months ended 30 June 2016: fellow subsidiaries) on cost basis. During the six months ended 30 June 2017, the expenses shared by the Group amounted to HK\$5,275,000 (six months ended 30 June 2016: HK\$6,208,000).

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

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Amounts due from other related parties	17,576	23,596
Amounts due to other related parties	(70,562)	(77,181)

(c) Key management compensation

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Fees, salaries, allowances and incentives	3,104	570
Retirement benefit costs	10	10
Share-based benefits	-	24
	3,114	604

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



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