Embrace the vast opportunities for innovative endeavours

美聯集團
MIDLAND HOLDINGS
Midland Holdings Limited
Incorporated in Bermuda with limited liability
(Stock Code 股份代號：1200)

Interim Report 2018

www.midland.com.hk

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. WONG Kin Yip, Freddie *(Chairman)*
Ms. WONG Ching Yi, Angela
(Deputy Chairman and Managing Director)
Mr. WONG Tsz Wa, Pierre *(Managing Director)*
Mr. CHEUNG Kam Shing

Non-Executive Director
Mr. WONG Wing Cheung Dennis

Independent Non-Executive Directors
Mr. HO Kwan Tat, Ted
Mr. SUN Tak Chiu
Mr. WONG San

AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted *(Committee Chairman)*
Mr. SUN Tak Chiu
Mr. WONG San

REMUNERATION COMMITTEE

Mr. SUN Tak Chiu *(Committee Chairman)*
Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. HO Kwan Tat, Ted
Mr. WONG San

NOMINATION COMMITTEE

Mr. HO Kwan Tat, Ted *(Committee Chairman)*
Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. SUN Tak Chiu
Mr. WONG San

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela
Mr. SZE Ka Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

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

BERMUDA LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
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69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

www.midland.com.hk

STOCK CODE

1200

Chairman's Statement

Business Review

Midland Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is pleased to announce that for the six months ended 30 June 2018 (the "Interim Period"), it recorded a revenue of approximately HK$2,803,421,000, while the consolidated net profit attributable to equity holders rose from approximately HK$115,667,000 by 30% to approximately HK$150,408,000.

The improvement of the Group's results was mainly attributable to the notable increase in the transaction volume and value in the Hong Kong residential market in the first half of 2018 that boosted the revenue of the Group's local business. The Group's revenue from the local secondary home market outgrew the transaction value of the overall secondary market. Concurrently, the management has persistently deepened costs control measures and bolstered the operational efficiency of the Group's business in mainland China. In addition, the good results achieved by the Group's subsidiaries, associates and joint venture, such as Hong Kong Property, Midland Immigration Consultancy, Midland Financial Group, Midland IC&I and mReferral also bought positive contributions to the Group's earnings.

Secondary properties led the market

Notwithstanding the escalation of global trade protectionism that has brought uncertainties to the economic outlook, the local property market fervor has been unaffected. According to the figures from the Land Registry, the volume and value of the property sales registrations in the first half of 2018 amounted to 46,875 units and HK$403.68 billion respectively, up 9.4% and 8.2% as compared with the same period in 2017. The figures reached a new height in recent years, indicating that the market was vigorous.

During the Interim Period, due to the slowdown of the developers' pace in launching new projects and the widening of the price gap between primary and secondary residential properties, the proportion of secondary home transactions surged considerably. The number of secondary property sales registrations totaled 26,214, up 17.6% as compared with the corresponding period in 2017. Among them, residential properties worth more than HK$20 million outperformed and approximately 1,000 transactions were recorded, representing an year-on-year increase of 58.6%, a new high in 21 years. The number of residential transactions valued from HK$10 million to HK$20 million also recorded a growth of 60.6%, reflecting a strong upgrading demand in the market. As the high-end residential properties outperformed, the Group's member facilitated the acquisition project with value over HK$2 billion during the Interim Period.

Fully seizing the market opportunities

During the Interim Period, the Hong Kong government maintained a repressive stance on the property market policy. However, with the enduring low interest rate environment in Hong Kong and the overall favorable economic conditions, property prices continued to rise, boosting confidence in the property market. Leveraging on our market sensitivity and adaptability, we have overcome the impact of the cooling measures on the property market, and actively optimized our sales network to successfully seize the opportunities in both the primary and secondary property markets, and further cemented our leading position.

As property sales transactions increased and prices reached new high, competition within the property agency industry heightened. According to the latest figures from the Estate Agents Authority (EAA), as at the end of June 2018, the number of licensed agents in Hong Kong climbed to 39,298, while the number of Statements of Particular of Business reached a record number of 6,976, representing an increase by 1,026 and 176 respectively as compared with the same period last year.

Chairman's Statement (continued)

Business Review (Continued)

Fully seizing the market opportunities (Continued)

For the Group's mainland operation, as the Chinese government has persistently imposed tightening measures on the property market, transaction activity in first-tier cities despite a mild increase from a low base in the first half have been put under constant pressure, inevitably affecting the operation in Shenzhen, the Group's focal business in the mainland. Nevertheless, the strong end-user demand for residential properties in the mainland has brought support to the property agency business.

Outlook

Hong Kong's bright economic outlook despite uncertain global environments

In the first half of 2018, the economies in Hong Kong and China sustained satisfactory growth with the gross domestic product ("GDP") figures posting an increase of 4.0% and 6.8% respectively. However, the intensification of US trade protectionist sentiments, the resumption of the Brexit negotiations in the UK, have all casted a dark shadow on the global economic landscape. The rising pace of US interest rate hikes has also triggered market concerns. In the second half of the year, the escalation of the trade war between China and the US, as well as the blow to the global currency markets resulting from the freefall of Turkish lira, may hamper the stable development of the Chinese economy. However, the implementation of the Belt and Road Initiative and the Chinese government's measures to stimulate domestic demand may ease the pain triggered by the trade war and drive healthy economic growth.

Against the backdrop of China-Hong Kong integration, a new round of opportunities will arise in the local economy. The completion of the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) will strengthen the connection between Hong Kong and China, and the central government will soon announce the overall development blueprint and related favorable measures regarding the Greater Bay Area. It is expected that the economic development of the region will be boosted. In addition, the Hong Kong government has been actively promoting local innovation and technology in recent years, which will not only encourage local GDP growth, but will also help attract investments and professionals from around the world, adding impetus to the long-term development of the property market in Hong Kong.

Cautiously optimistic in the second half

Following the volatility of the global economy and the upward trend of the global interest rates, property prices of some international first-tier cities that have been on continuous rise since 2009 have been under downward pressure recently. However, Hong Kong is a first-tier city in the Greater Bay Area, coupled with China's support, the persistent strong demand in the property market, and the relatively stable property prices trend, its potential remains favorable.

Chairman's Statement (continued)

Outlook (Continued)

Cautiously optimistic in the second half (Continued)

The Group maintains cautious optimistic about the outlook of the Hong Kong property market. Despite the government recently announcing a number of major adjustments to the housing policy, including the imposition of vacancy tax on unoccupied primary private residential units, the revision on pricing policy for subsidized sale flats, the reallocation of land for private housing to develop public housing, and the study on the implementation of transitional housing projects, we believe that the new housing policies will not have a major impact on the Group's property agency business at this stage. The imposition of vacancy tax on the primary unoccupied units may increase market supply and, thereby affecting the rise in property prices. However, the measure can prompt the sales of primary units, and thus its impact on the property agency industry can be counteracted. As to the delinking of price of the units under the Home Ownership Scheme ("HOS") from market prices, it may result in more potential buyers adopting a wait-and-see attitude, but the general demand for property will not recede. When the overall demand outstrips supply, the residential market is expected to stay buoyant, allowing room for moderate expansion by the property agency industry. The Group remains positive in the second half of the year and will moderately establish additional footholds in areas with market potential. Additionally, the Group will continue to develop businesses which will have synergies with our existing business, such as credit, immigration, and overseas properties, with the aim to broaden the revenue and customer base and to offer customers with other options.

Looking ahead to the second half of the year, the sound economic fundamentals will bring strong demand for local residential properties. It is expected that both the transaction volume and value in primary and secondary property markets will further increase, especially with the speeding up of new primary project launches, the potential supply may rise in the second half of the year, and the transaction volume will increase significantly as compared with the first half of the year. The Group is pleased to see that the government's future housing policy is focused on supply management, which allows the healthy development of the property market and the agency industry. As an industry leader, we will closely monitor the market conditions and adjust our operational strategies flexibly to meet the changing market needs of the future.

Appreciation

I would like to express my sincere gratitude to all the directors and staff for their contributions, and take this opportunity to thank all shareholders and customers for their continuous support to the Group. We will strive to provide quality services and build a better tomorrow for the Group.

WONG Kin Yip, Freddie
Chairman

Hong Kong, 29 August 2018

Strategic Review and Planning

Enhance competitiveness and Embrace the secondary market

Despite the government's implementation of a series of property cooling measures, Hong Kong's overall property prices continued to increase in the first half of 2018, and the value of property sales registrations during this period also reached its new high since 1997. As the secondary market recovers, competition in the industry has intensified. The Group has already taken effective measures to deal with the ever-changing business and competitive environment.

To capture the opportunities arising from the secondary market, the Group has actively built its branch network to further strengthen its leading position. In addition to growing the front-line sales team, the productivity of the overall front-line staff has improved remarkably through restructuring of the sales management and platform development.

During the Interim Period, the Management was committed to improving the Group's cost-effectiveness, and the achievements have been gradually shown. For example, total rebate expenses registered a double-digit decline, and advertising efficiency improved through digital marketing. Meanwhile, the on-line live chat launched on the official website of Midland Realty was also well-received. This live chat not only enhances customer experience, but also facilitates transactions persistently.

The Management will continue to implement the new three-year plan formulated in mid-2017, and to devote more resources in innovation and technology, to develop and enhance the customer-centric and holistic sales platform and infrastructures such as the information systems, in order to enhance customer experience and staff productivity.

Leverage on the opportunities provided by the Greater Bay Area

In 2017, the Chinese central government proposed an initiative for the development and planning of the Greater Bay Area, to promote the corporation for the mutual benefits of Hong Kong, Macao and the mainland. It is expected that such initiative will foster the development of the property market within this region, and represents a new business opportunity for the agency business of the Group. The Group has already established a strategic unit to study the opportunities arising from this region, and to actively foster the cooperation and interaction between our businesses units in Hong Kong and mainland so as to capture such opportunities.

Looking ahead, the Group will take a proactive and effective business development strategy, and continue to strive for excellence so as to reach new heights of success.

WONG Ching Yi, Angela
Deputy Chairman and Managing Director

Hong Kong, 29 August 2018

Management Discussion and Analysis

The Chairman's Statement from pages 3 to 5 and the Strategic Review and Planning on page 6 form part of the Management Discussion and Analysis.

Liquidity and financial resources

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

As at 30 June 2018, the Group had cash and cash equivalents of HK$1,147,190,000 (as at 31 December 2017: HK$1,158,645,000).

As at 30 June 2018, the interest-bearing bank borrowings of the Group amounted to HK$291,850,000 (as at 31 December 2017: HK$359,900,000) and with maturity profile set out as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Repayable		
Within 1 year	291,850	359,900

As at 30 June 2018, the gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, was 18.6% (as at 31 December 2017: 26.4%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.3 (as at 31 December 2017: 1.2). The return on equity, which is the ratio of profit for the period over the total equity of the Group, was 9.58% (six months ended 30 June 2017: 8.94%).

As at 30 June 2018, the Group has unutilised borrowing facilities amounting to approximately HK$2,402,674,000 (as at 31 December 2017: HK$1,975,100,000) from various banks. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company ("Directors") will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

As at 30 June 2018, certain land and buildings and investment properties held by the Group of HK$60,126,000 (as at 31 December 2017: HK$60,679,000) and HK$75,220,000 (as at 31 December 2017: HK$57,350,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured, inter alia, by floating charge over certain receivables of the Group with carrying value of approximately HK$2,477,494,000 (as at 31 December 2017: HK$2,186,067,000).

Management Discussion and Analysis (continued)

Liquidity and financial resources (continued)

The Group's cash and cash equivalents are denominated in Hong Kong dollars, Renminbi and Macau pataca and the Group's borrowings are in Hong Kong dollars. No currency hedging tool is used.

The Group's business has been conducted primarily in Hong Kong and its monetary assets and liabilities are mainly denominated in Hong Kong dollars. The Group is exposed to Renminbi exchange rate risk as the assets and liabilities of the Group's PRC subsidiaries are primarily denominated in Renminbi. Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Directors consider that no hedging measure against Renminbi exchange rate exposure is necessary at this stage but will closely monitor its fluctuations.

Contingent liabilities

As at 30 June 2018, the Company executed corporate guarantee of HK$2,756,524,000 (as at 31 December 2017: HK$2,397,000,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2018, banking facilities of HK$322,859,000 were utilised by the subsidiaries (as at 31 December 2017: HK$387,006,000).

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.

Employee information

As at 30 June 2018, the Group employed 8,312 full time employees (as at 31 December 2017: 7,452) of which 7,151 were sales agents, 572 were back office supportive employees and 589 were frontline supportive employees.

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

Other Information

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

As at 30 June 2018, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

	Number of ordinary shares		Number of underlying shares		
Name of Director	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporation	Personal interest/ Beneficial owner *(Note 1)*	Total	Approximate percentage of the issued voting shares of the Company
Mr. WONG Kin Yip, Freddie	24,490,000	169,894,144 *(Note 2)*	7,209,160	201,593,304	28.08%
Ms. WONG Ching Yi, Angela	–	–	7,209,160	7,209,160	1.00%
Mr. SUN Tak Chiu	–	–	150,000	150,000	0.02%

Notes:

1. These underlying shares were held by the Director(s) by virtue of the interests in the share options of the Company granted to him/her.

2. These shares were held by Sunluck Services Limited which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited.

3. Details of the share options granted by the Company to the above Directors are set out in the sub-section headed "2002 Share Option Scheme" under the section headed "Share Option Schemes" in this interim report.

Other Information (continued)

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

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

		Number of ordinary shares			Number of underlying shares			
Name of associated corporation	Name of Director	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporation	Family interest/ Interest of spouse	Personal interest/ Beneficial owner *(Note 4)*	Corporate interest/ Interest of controlled corporation	Total	Approximate percentage of the issued voting shares of associated corporation
Midland IC&I Limited	Mr. WONG Kin Yip, Freddie	12,245,000	515,452,680 *(Note 5)*	–	–	434,782,608 *(Note 6)*	962,480,288	53.31%
Midland IC&I Limited	Mr. WONG Tsz Wa, Pierre	200,000	–	132,000 *(Note 7)*	9,000,000	–	9,332,000	0.52%
Midland IC&I Limited	Mr. CHEUNG Kam Shing	–	–	–	1,000,000	–	1,000,000	0.06%

Notes:

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

			Number of share options		
Name	**Date of grant**	**Exercise price per share HK$**	**As at 1 January 2018**	**As at 30 June 2018**	**Exercisable period**
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

Other Information (continued)

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

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

Notes: (continued)

5. 80,670,072 shares were held by Sunluck Services Limited which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited and 434,782,608 shares were held by Wealth Builder Holdings Limited ("Wealth Builder"), which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Luck Gain Holdings Limited.

6. Such interests in underlying shares (being unlisted physically settled derivatives) represent 434,782,608 shares to be issued to Wealth Builder upon exercise in full 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 per share issued by Midland IC&I Limited pursuant to an acquisition agreement dated 10 January 2017.

7. These shares represent the shares of Midland IC&I Limited held by the spouse of Mr. WONG Tsz Wa, Pierre as beneficial owner.

Save as disclosed above, as at 30 June 2018, 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, unless approved by the board of Directors (the "Board") and complied with all applicable requirements under the Listing Rules, 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 2018, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholder	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Ms. TANG Mei Lai, Metty *(Note 2)*	201,593,304 (L) *(Note 1)*	Interest of spouse/Family interest	28.08%
Southern Field Trading Limited *(Note 3)*	169,894,144 (L)	Interest of controlled corporation/ Corporate interest	23.66%
Sunluck Services Limited *(Note 3)*	169,894,144 (L)	Beneficial owner/Beneficial interest	23.66%
Sun Life Financial Inc. *(Note 4)*	82,025,000 (L)	Interest of controlled corporation/ Corporate Interest	11.42%
Sun Life of Canada (U.S.) Financial Services Holdings, Inc. *(Note 4)*	82,025,000 (L)	Interest of controlled corporation/ Corporate Interest	11.42%

Other Information (continued)

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

Name of substantial shareholder	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Massachusetts Financial Services Company *(Note 4)*	73,653,000 (L)	Investment manager/Other interest	10.26%
	8,372,000 (L)	Interest of controlled corporation/ Corporate interest	1.16%
Mr. LAU Wang Chi Barry *(Note 5)*	75,666,000 (L)	Interest of controlled corporation/ Corporate interest	10.54%
Surplus Gain Global Limited *(Note 5)*	75,666,000 (L)	Beneficial owner/Beneficial interest	10.54%
Edgbaston Investment Partners LLP *(Note 6)*	59,864,000 (L)	Investment manager/Other interest	8.34%
Edgbaston Asian Equity Trust *(Note 6)*	43,460,000 (L)	Beneficial owner/Beneficial interest	6.05%
Hosking Partners LLP *(Note 6)*	50,836,047 (L)	Investment manager/Other interest	7.08%
UBS AG *(Note 7)*	7,111,844 (L)	Beneficial owner/Beneficial interest	0.99%
	8,196,000 (L)	Security interest/Other interest	1.14%
	24,770,000 (L)	Interest of controlled corporation/ Corporate interest	3.45%
	4,035,548 (S)	Beneficial owner/Beneficial interest	0.56%
	24,272,000 (S)	Interest of controlled corporation/ Corporate interest	3.38%

Remark: (L) – Long Position, (S) – Short Position

Other Information (continued)

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

Notes:

1. Such interests comprise (i) 194,384,144 shares held directly and indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty; and (ii) 7,209,160 underlying shares held by Mr. WONG Kin Yip, Freddie by virtue of the interests in the share options of the Company granted to him.

2. The 194,384,144 shares and 7,209,160 underlying shares deemed to be interested by Ms. TANG Mei Lai, Metty relate to the same block of shares and underlying shares of the Company as disclosed under Mr. WONG Kin Yip, Freddie in the section headed "Director's and Chief Executive's interests and Short Positions in Shares, Underlying Shares and Debentures". Details of the share option granted by the Company to her spouse, Mr. WONG Kin Yip, Freddie, are set out in the sub-section headed "2002 Share Option Scheme" under the section headed "Share Option Schemes" in this interim report.

3. The two references to 169,894,144 shares relate to the same block of shares of the Company as disclosed under Mr. WONG Kin Yip, Freddie in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this interim report.

4. Details of the interest in long position of the 82,025,000 shares in which Sun Life Financial Inc. ("SLF") was deemed to be interested were as follows:

   Massachusetts Financial Services Company ("MFS") held (through itself and its 100% controlled corporations) an aggregate of 82,025,000 shares. MFS was a 93.35% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. ("SLCFS") which was a 99.89% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(US)I"). SLF(US)I was a wholly-owned subsidiary of Sun Life Financial (U.S.) Holdings, Inc. which was a wholly-owned subsidiary of Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc. ("SLACC"). SLACC was a wholly-owned subsidiary of Sun Life Global Investments Inc. which was a wholly-owned subsidiary of SLF.

   MFS was a subsidiary of SLCFS and SLF. Accordingly, MFS's interest in 82,025,000 shares was duplicated with the interest of SLCFS and SLF.

5. The 75,666,000 shares were held by Surplus Gain Global Limited which is directly wholly owned by Mr. LAU Wang Chi Barry.

6. Such long position includes interests in ordinary shares only.

7. The interest of UBS AG included derivative interest in 530,000 shares of the Company (being long position and unlisted physically settled derivatives).

Save as disclosed above, as at 30 June 2018, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Other Information (continued)

Share Option Schemes

I. 2002 Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 30 April 2002, the Company adopted the 2002 share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme had expired on 29 April 2012. The terms of the 2002 Share Option Scheme for those outstanding share options already granted under the 2002 Share Option Scheme remain in force.

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

			Number of share options					
Name	Date of grant	Exercise price per share HK$	Balance outstanding as at 1 January 2018	Granted during the Interim Period	Cancelled/ lapsed during the Interim Period	Exercised during the Interim Period	Balance outstanding as at 30 June 2018	Exercisable period
Directors								
Mr. WONG Kin Yip, Freddie	21 July 2011	4.29	3,604,580	–	–	–	3,604,580	1 August 2011 to 31 July 2019
	21 July 2011	4.29	3,604,580	–	–	–	3,604,580	1 January 2012 to 31 December 2019
Ms. WONG Ching Yi, Angela	27 October 2011	3.81	3,604,580	–	–	–	3,604,580	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3,604,580	–	–	–	3,604,580	1 October 2013 to 30 September 2021
Mr. SUN Tak Chiu	21 July 2011	4.29	150,000	–	–	–	150,000	1 August 2011 to 31 July 2019
Total			14,568,320	–	–	–	14,568,320	

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

II. 2016 Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 23 June 2016, the Company adopted the 2016 share option scheme (the "2016 Share Option Scheme").

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

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

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

Other Information (continued)

Interim Dividend

The Board declares an interim dividend of HK$0.032 per ordinary share for the Interim Period (for the six months ended 30 June 2017: Nil), payable on Friday, 21 September 2018, to shareholders whose names appear on the register of members of the Company at the close of business on Friday,14 September 2018.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 13 September 2018 to Friday, 14 September 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 12 September 2018.

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 16 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.

Corporate Governance

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Listing Rules throughout the Interim Period.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions at all applicable times during the Interim Period.

Condensed Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
	Note	HK$'000	HK$'000
Revenues	4	2,803,421	2,778,018
Other income	5	4,149	8,525
Staff costs		(1,494,462)	(1,399,635)
Rebate incentives		(629,241)	(753,856)
Advertising and promotion expenses		(21,385)	(27,174)
Operating lease charges in respect of office and shop premises		(343,750)	(300,903)
Impairment of receivables		(11,832)	(34,051)
Depreciation and amortisation costs		(27,505)	(23,088)
Other operating costs		(126,027)	(125,960)
Operating profit	6	153,368	121,876
Finance income		194	550
Finance costs		(5,581)	(11,590)
Share of results of joint ventures		13,967	13,703
Share of results of associates		16,884	16,660
Profit before taxation		178,832	141,199
Taxation	7	(28,424)	(25,532)
Profit for the period attributable to equity holders		150,408	115,667
Dividends	8	22,977	–
Earnings per share	9	HK cents	HK cents
Basic		20.95	16.11
Diluted		20.60	15.95

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit for the period attributable to equity holders	150,408	115,667
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Currency translation differences	1,287	(6,587)
Fair value gains on available-for-sale financial assets	–	1,330
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	(203)
	1,287	(5,460)
Total comprehensive income for the period attributable to equity holders, net of tax	151,695	110,207

Condensed Consolidated Balance Sheet (Unaudited)

AS AT 30 JUNE 2018

	Note	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
ASSETS			
Non-current assets			
Property and equipment	10	132,681	140,235
Investment properties	10	92,125	90,591
Land use rights		1,141	1,174
Interests in joint ventures		31,755	49,254
Interests in associates		377,239	360,355
Available-for-sale financial assets		–	7,028
Financial assets at fair value through other comprehensive income		6,632	–
Deferred taxation assets		12,976	19,432
		654,549	668,069
Current assets			
Trade and other receivables	11	3,119,705	2,583,475
Taxation recoverable		–	2
Cash and cash equivalents		1,147,190	1,158,645
		4,266,895	3,742,122
Total assets		4,921,444	4,410,191

Condensed Consolidated Balance Sheet (Unaudited) (continued)

AS AT 30 JUNE 2018

	Note	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital	12	71,805	71,805
Share premium		223,505	223,505
Reserves		1,274,735	1,066,469
Total equity		1,570,045	1,361,779
Non-current liabilities			
Deferred taxation liabilities		3,879	3,846
Current liabilities			
Trade and other payables	13	3,025,964	2,626,842
Borrowings		291,850	359,900
Taxation payable		29,706	57,824
		3,347,520	3,044,566
Total liabilities		3,351,399	3,048,412
Total equity and liabilities		4,921,444	4,410,191

Condensed Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share capital HK$'000	Share premium HK$'000	Reserves HK$'000	Total HK$'000
At 1 January 2018	71,805	223,505	1,066,469	1,361,779
Impact on initial application of HKFRS 15 (note 3)	–	–	92,473	92,473
Restated balance at 1 January 2018	71,805	223,505	1,158,942	1,454,252
Comprehensive income				
Profit for the period	–	–	150,408	150,408
Other comprehensive income				
Currency translation differences	–	–	1,287	1,287
Total comprehensive income	–	–	151,695	151,695
Transaction with owners				
2017 final dividend paid	–	–	(35,902)	(35,902)
At 30 June 2018	71,805	223,505	1,274,735	1,570,045
At 1 January 2017	71,805	223,505	888,231	1,183,541
Comprehensive income				
Profit for the period	–	–	115,667	115,667
Other comprehensive (loss)/income				
Currency translation differences	–	–	(6,587)	(6,587)
Fair value gains on available-for-sale financial assets	–	–	1,330	1,330
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	–	(203)	(203)
Total comprehensive income	–	–	110,207	110,207
At 30 June 2017	71,805	223,505	998,438	1,293,748

Condensed Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	**2017**
	HK$'000	**HK$'000**
Cash flows from operating activities		
Net cash generated from operations	137,406	228,561
Hong Kong profits tax paid	(48,607)	–
Overseas taxation paid	(529)	(658)
Interest paid	(5,581)	(11,590)
Net cash generated from operating activities	82,689	216,313
Cash flows from investing activities		
Purchase of property and equipment	(20,803)	(21,475)
Return of capital from available-for-sale financial assets	–	2,530
Return of capital from financial assets at fair value through other comprehensive income	396	–
Bank interest received	194	550
Dividend received from a joint venture	31,466	–
Net cash generated from/(used in) investing activities	11,253	(18,395)
Cash flows from financing activities		
Proceeds from bank loans	2,354,800	7,458,450
Repayment of bank loans	(2,422,850)	(6,844,550)
Dividends paid to equity holders	(35,902)	–
Net cash (used in)/generated from financing activities	(103,952)	613,900
Net (decrease)/increase in cash and cash equivalents	(10,010)	811,818
Cash and cash equivalents at 1 January	1,158,645	876,490
Exchange differences	(1,445)	4,700
Cash and cash equivalents at 30 June	1,147,190	1,693,008

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

1 General information

Midland Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together the "Group") are the provision of property agency services in Hong Kong, the People's Republic of China (the "PRC") and Macau.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the board of directors on 29 August 2018.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared under the historical cost convention as modified by the revaluation of investment properties and financial assets at fair value through other comprehensive income, 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 condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, 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 2017, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), and HKASs and Interpretations ("Ints") (collectively "new HKFRSs").

(a) New standards, interpretation and amendments effective in 2018

The following new HKFRSs are mandatory for the first time for the financial year beginning 1 January 2018 and the impacts of the adoption of these new HKFRSs are disclosed in note 3.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related amendments

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and the expected credit loss for financial assets, and impacted by HKFRS 15 in relation to timing of revenue recognition and the identification and existence of variable consideration. Details of the changes in accounting policies are discussed in note 3(a) for HKFRS 9 and note 3(b) for HKFRS 15.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

2 Basis of preparation (continued)

(a) New standards, interpretation and amendments effective in 2018 (continued)

The following new HKFRSs are mandatory for the first time for the financial year beginning 1 January 2018, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods:

HKAS 40 (amendment)	Transfers of Investment Property
HKFRS 2 (amendment)	Classification and Measurement of Share-based Payment Transactions
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advanced Consideration
Annual Improvements to HKFRSs	2014-2016 Cycle published in March 2017 by HKICPA

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

The following new standards, interpretation and amendments to standards have been issued but are not effective for 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16 *(note)*	Leases	1 January 2019
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments (new interpretation)	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Note:

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact

Based on management's initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is expected to result in a significant increase in both assets and liabilities in the consolidated balance sheet.

Date of adoption by the Group

It is mandatory for financial years commencing on or after 1 January 2019. At this stage the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The expected impacts of the adoption of the other new standards, interpretation and amendments to standards 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.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

2 Basis of preparation (continued)

(c) Estimates

The preparation of this 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.

The following new significant judgement is made by the management in preparing this condensed consolidated interim financial information. Other 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 2017.

Variable consideration

Variable consideration comprises the variable amount of the consideration in exchange for transferring the promised goods or services to a customer that is contingent on the occurrence or non-occurrence of a future event. Under HKFRS 15, the Group is required to estimate the amount of consideration to which it will be entitled from the provision of property agency services. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable taking into consideration of the risk of fallen through and price concession based on customary industry practice, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

3 Changes in accounting policies upon adoption of new HKFRSs

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements.

(a) HKFRS 9, "Financial Instruments"

HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies. As permitted by the transitional provisions of HKFRS 9, the Group elected not to restate comparative figures. The reclassification adjustments arising from the adoption of HKFRS 9 are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

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

(a) HKFRS 9, "Financial Instruments" (continued)

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVTPL"). The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

The directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification on the Group's financial assets and the impacts thereof are illustrated in the table below:

Consolidated balance sheet (extract)	As at 31 December 2017 HK$'000	Effects of the adoption of HKFRS 9 HK$'000	As at 1 January 2018 HK$'000
Non-current assets			
Available-for-sale financial assets	7,028	(7,028)	–
Financial assets at fair value through other comprehensive income	–	7,028	7,028
Equity			
Investment revaluation reserve	2,922	(2,922)	–
Financial assets at fair value through other comprehensive income reserve	–	2,922	2,922

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

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

(a) HKFRS 9, "Financial Instruments" (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Prior to the adoption of HKFRS 15, the Group estimated impairment of the unprovided trade receivable on a collective basis by considering the aging profile of trade receivables and historical experience.

As at 1 January 2018, the directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The Group has assessed the expected credit loss model applied to the trade and other receivables as at 1 January 2018 and there is no significant impact on the opening balances of net assets and retained profits at 1 January 2018.

(b) HKFRS 15, "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies.

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue" which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts", which specified the accounting for construction contracts.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The table below shows the adjustments recognised in the opening balances of each individual financial statement line item. Line items that are not affected by the changes are not included.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

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

(b) HKFRS 15, "Revenue from Contracts with Customers" (continued)

Impact on the consolidated balance sheet:

	As at 31 December 2017 HK$'000	Effects of the adoption of HKFRS 15 HK$'000	As at 1 January 2018 HK$'000
Current assets			
Trade and other receivables	2,583,475	227,294	2,810,769
Current liabilities			
Trade and other payables	2,626,842	135,736	2,762,578
Taxation payables	57,824	(915)	56,909
Equity			
Retained earnings	997,128	92,473	1,089,601

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Agency fee income from property agency business in Hong Kong

The Group's entitlement to agency fee income includes an element of consideration that is variable or contingent on the outcome of future events. Actual agency fee income to be received is dependent upon, among others, the completion of transaction between buyers and sellers, price concession based on customary industry practice and payment plans chosen by the buyers.

Prior to the adoption of HKFRS 15, the Group recognised revenue when it was probable that future economic benefits would flow to the Group and the amount could be measured reliably. At each period end, management estimates impairment of the related trade receivables on both an individual and a collective basis by considering the market conditions, customers' profile, the Group's knowledge about the customers, aging profiles of the receivables, historical experience and other relevant factors. Provision for the uncollectible agency fee income was recognised as "impairment of receivables" in previous accounting periods.

Under HKFRS 15, the Group is required to estimate the amount of consideration to which it will be entitled from the provision of property agency services. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable taking into consideration of the risk of fallen through and price concession based on customary industry practice, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Accordingly, the higher revenue recognition threshold for variable consideration under HKFRS 15 has resulted in a decrease in revenue, the impact of which on profit is mitigated by a decrease in impairment provision for the related trade receivables.

This change in accounting policy had no material impact on the Group's retained profits as at 1 January 2018.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

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

(b) HKFRS 15, "Revenue from Contracts with Customers" (continued)

(ii) Agency fee income from property agency business in the PRC

The adoption of HKFRS 15 has a significant impact on the timing of revenue recognition from provision of property agency services in the PRC primary market.

In previous accounting periods, the Group recognised revenue from the provision of property agency services in the PRC primary market when the services are rendered and it is probable that future economic benefits would flow to the Group and the amount can be measured reliably. Actual agency fee income to be received is dependent upon, among others, the completion of transaction between buyers and sellers, price concession based on customary industry practice and payment plans chosen by the buyers. Taking into account the market conditions, customers' profiles, the Group's business practice, the legal and regulatory environment of the PRC and other relevant factors, the revenue could generally only be considered being able to measure reliably when uncertainty on contingent events are resolved, which generally coincides the time when cash is received by the Group.

Under HKFRS 15, the Group is required to estimate the total consideration, including an estimate of variable consideration, received in exchange for the services rendered. The variable consideration is the amount for which it is highly probable that a significant reversal in the cumulative amount of revenue recognised will not occur in future period when the uncertainty associated with the variable consideration is subsequently resolved.

Accordingly, the application of HKFRS 15 will result in an earlier recognition of revenue by an estimation of the minimum amount of variable consideration, whereas previously the Group did not recognise revenue until uncertainty on all contingent events were resolved. Direct costs associated with these contracts will also be recognised earlier under HKFRS 15 as compared to prior accounting policy adopted by the Group.

As a result of this change in accounting policy, the Group has made adjustments to opening balances at 1 January 2018 which increase retained earnings by HK$92,473,000.

As a result of this change in accounting policy, the profit attributable to equity holders of the Group for the six months ended 30 June 2018 is HK$18,258,000 less than the amount that would have been recognised under HKAS 18 if this superseded standard had continued to apply to 2018 instead of HKFRS 15.

4 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Agency fee	2,793,033	2,768,323
Immigration consultancy services	7,300	7,259
Rental income	1,409	1,650
Web advertising	110	111
Other services	1,569	675
	2,803,421	2,778,018

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

4 Revenues and segment information (continued)

(b) Segment information

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

The Executive Directors assess the performance based on the nature of the Group's businesses which are principally located in Hong Kong, the PRC and Macau, and comprises property agency businesses for residential, commercial and industrial properties and shops, and other businesses which mainly include property leasing, immigration consultancy services and mortgage referral services.

	Six months ended 30 June 2018			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Total revenues	2,747,799	45,234	14,204	2,807,237
Inter-segment revenues	–	–	(3,816)	(3,816)
Revenues from external customers	2,747,799	45,234	10,388	2,803,421
Segment results	178,126	12,973	24,585	215,684
Impairment of receivables	(11,680)	(152)	–	(11,832)
Depreciation and amortisation costs	(25,895)	(1,027)	(351)	(27,273)
Share of results of joint ventures	–	–	13,967	13,967
Share of results of associates	–	16,884	–	16,884
Fair value gains on investment properties	–	–	1,930	1,930
Additions to property and equipment	20,537	258	8	20,803

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

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. Corporate expenses, release of investment revaluation reserve upon disposal of available-for-sale financial assets, gain on dilution of equity interests in associates, finance income, finance costs and taxation are not included in the segment results.

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

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Segment results for reportable segments	215,684	167,278
Corporate expenses	(31,465)	(18,506)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	203
Gain on dilution of equity interests in associates	–	3,264
Finance income	194	550
Finance costs	(5,581)	(11,590)
Profit before taxation per consolidated income statement	178,832	141,199

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 corporate assets and liabilities, deferred taxation, available-for-sale financial assets and financial assets at fair value through other comprehensive income, 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 2018			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	3,825,341	429,793	144,740	4,399,874
Segment assets include:				
Interests in joint ventures	–	–	31,755	31,755
Interests in associates	–	377,239	–	377,239
Segment liabilities	2,949,986	60,227	20,916	3,031,129

	As at 31 December 2017			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	3,301,989	391,026	158,206	3,851,221
Segment assets include:				
Interests in joint ventures	–	–	49,254	49,254
Interests in associates	–	360,355	–	360,355
Segment liabilities	2,596,756	46,994	23,213	2,666,963

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 2018 HK$'000	As at 31 December 2017 HK$'000
Segment assets	4,399,874	3,851,221
Corporate assets	501,962	532,510
Deferred taxation assets	12,976	19,432
Available-for-sale financial assets	–	7,028
Financial assets at fair value through other comprehensive income	6,632	–
Total assets per consolidated balance sheet	4,921,444	4,410,191

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Segment liabilities	3,031,129	2,666,963
Corporate liabilities	316,391	377,603
Deferred taxation liabilities	3,879	3,846
Total liabilities per consolidated balance sheet	3,351,399	3,048,412

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

4 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Hong Kong and Macau	2,378,445	2,330,836
PRC	424,976	447,182
Revenues from external customers	2,803,421	2,778,018

Revenues are attributed to the locations where the transactions take place.

5 Other income

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Fair value gains on investment properties	1,930	2,604
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	203
Gain on dilution of equity interests in associates (Note)	–	3,264
Others	2,219	2,454
	4,149	8,525

Note:

During the six months ended 30 June 2017, Midland IC&I Limited ("IC&I"), a listed associate of the Company, issued new shares to a company wholly-owned by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), a director of the Company, pursuant to a transaction entered into between IC&I and Mr. WONG. After the completion of the transaction in March 2017, the Group's equity interests in IC&I was diluted from 44.58% to 33.84% which resulted in a gain on dilution of equity interests.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

6 Operating profit

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Loss on disposal of property and equipment	658	133
Net foreign exchange losses/(gains)	322	(2,969)

7 Taxation

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current taxation		
Hong Kong profits tax	21,879	23,229
Overseas	56	(93)
Deferred taxation	6,489	2,396
	28,424	25,532

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

8 Dividends

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Interim dividend declared of HK$0.032 (six months ended 30 June 2017: nil) per share	22,977	–

At a board meeting held on 29 August 2018, the Board declared an interim dividend of HK$0.032 per share (six months ended 30 June 2017: nil). The declared interim dividend is not reflected as dividend payable in the condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

9 Earnings per share

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Profit attributable to equity holders for the calculation of basic earnings per share	150,408	115,667
Adjustment on the effect of dilutive events of associates	(2,481)	(1,116)
Profit attributable to equity holders for the calculation of diluted earnings per share	147,927	114,551
Number of shares for the calculation of basic and diluted earnings per share (thousands)	718,046	718,046
Basic earnings per share (HK cents)	20.95	16.11
Diluted earnings per share (HK cents)	20.60	15.95

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 profit attributable to equity holders is adjusted to assume the conversion of all dilutive potential ordinary shares from share options and convertible note of its associates. Adjustments have been made to profit attributable to equity holders to reflect the dilutive impact in respect of exercise of share options and convertible note issued by the Group's associates. The weighted average number of shares has not been adjusted as the exercise of the Company's share options have an anti-dilutive effect and the exercise of the share options and convertible note of the associates does not affect the number of shares of the Company.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

10 Property and equipment and investment properties

Land and buildings with net book value of HK$60,126,000 (as at 31 December 2017: HK$60,679,000) and investment properties with net book value of HK$75,220,000 (as at 31 December 2017: HK$57,350,000) were pledged as securities for the Group's banking facilities.

The valuations of the investment properties were undertaken by Midland Surveyors Limited, a qualified professional surveyor under the Group with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties in Hong Kong and the PRC are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations.

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.

Information about fair value measurements using significant unobservable inputs:

Location of investment properties	Fair value	Range of significant unobservable inputs	
		Prevailing market rent per month	Capitalisation rate
	HK$'000		
Hong Kong	59,280	HK$41 to HK$117 per sq. ft. (saleable) (31 December 2017: HK$41 to HK$113 per sq. ft. (saleable))	3.20% to 4.50% (31 December 2017: 3.20% to 4.50%)
The PRC	32,845	RMB185 to RMB1,690 per sq. m. (gross) (31 December 2017: RMB185 to RMB1,690 per sq. m. (gross))	4.80% to 5.80% (31 December 2017: 4.80% to 5.80%)
Total	92,125		

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)

11 Trade and other receivables

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Trade receivables	2,875,164	2,422,372
Less: provision for impairment	(133,508)	(180,834)
Trade receivables, net	2,741,656	2,241,538
Other receivables, prepayments and deposits	378,049	341,937
	3,119,705	2,583,475

Trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Not yet due	2,663,764	2,147,197
Less than 30 days	21,148	40,058
31 to 60 days	35,807	14,355
61 to 90 days	16,326	10,833
Over 90 days	4,611	29,095
	2,741,656	2,241,538

The Group's trade and other receivables are mainly denominated in Hong Kong dollars and Renminbi.

Borrowing facilities granted to the Group were secured, inter alia, by floating charge over certain receivables of the Group, with carrying value of approximately HK$2,477,494,000 as at 30 June 2018 (as at 31 December 2017: HK$2,186,067,000).

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

12 Share capital

	Number of issued shares (HK$0.10 each)	Nominal value HK$'000
At 31 December 2017 and 30 June 2018	718,046,005	71,805

13 Trade and other payables

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Commissions and rebate payables	2,532,924	2,135,340
Other payables and accruals	493,040	491,502
	3,025,964	2,626,842

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$351,543,000 (as at 31 December 2017: HK$355,727,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period end. All the remaining commissions and rebate payables are not yet due.

The Group's trade and other payables are mainly denominated in Hong Kong dollars and Renminbi.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

14 Capital commitment

The Group did not have any significant capital commitment as at 30 June 2018 and 31 December 2017.

15 Contingent liabilities

As at 30 June 2018, the Company executed corporate guarantees of HK$2,756,524,000 (as at 31 December 2017: HK$2,397,000,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2018, banking facilities of HK$322,859,000 were utilised by the subsidiaries (as at 31 December 2017: HK$387,006,000).

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)

16 Significant related party transactions

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

(a) Transactions with related parties

	Note	Six months ended 30 June 2018 HK$'000	2017 HK$'000
Agency fee income from associates	(i)	75,330	41,745
Rebate incentives to associates	(ii)	(9,810)	(12,076)
Operating lease rental expenses to associates in respect of office premise	(iii)	(1,221)	(1,238)
Service fee paid to associates	(iv)	–	(692)
Operating lease rental expenses to related companies in respect of office and shop premises	(v)	(2,530)	(2,637)
Operating lease rental expenses to a director in respect of shop premises	(vi)	(174)	(170)

Notes:

(i) Agency fee income from associates represents agency fee for property agency transactions referred to associates on terms mutually agreed by both parties.

(ii) Rebate incentives to associates represents rebate incentives for property agency transactions referred by associates on terms mutually agreed by both parties.

(iii) The Group entered into an operating lease agreement with an associate on terms mutually agreed by both parties.

(iv) Service fee paid to associates represents service fee for assistance provided by associates in procuring the issuance of cashier's orders to prospective purchasers of primary residential properties referred by the Group. The service fee is charged on terms mutually agreed by both parties.

(v) The Group entered into certain operating lease agreements with certain related companies owned by Mr. WONG, who is the director of the Company and the father of Ms. WONG Ching Yi, Angela, on terms mutually agreed by both parties.

(vi) The Group entered into an operating lease agreement with Ms. WONG Ching Yi, Angela, who is the director of the Company, on terms mutually agreed by both parties.

The Group shared administrative and corporate services fee with its associates on a cost basis. During the six months ended 30 June 2018, the expenses shared by the associates amounted to HK$3,764,000 (six months ended 30 June 2017: HK$5,275,000).

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

16 Significant related party transactions (continued)

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

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Amounts due from associates	88,568	74,311
Amounts due to associates	(20,636)	(24,756)

(c) Key management compensation

	Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Fees, salaries, allowances and incentives	23,737	19,421
Retirement benefit costs	27	35
	23,764	19,456

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