美聯工商舖
MIDLAND IC&I
(459)香港聯交所上市公司

Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
(股份代號 Stock code : 459)

中港互聯 **盡掌機遇**

Interim Report 中期業績報告 2018

*For identification purpose only 僅供識別

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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
Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation 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

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

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STOCK CODE

459

LETTER FROM CHIEF EXECUTIVE OFFICER

Business Review

Midland IC&I Limited (the "Company") and its subsidiaries (collectively, the "Group") is pleased to announce that revenue of approximately HK$410,999,000 was recorded for the six months ended 30 June 2018 (the "Interim Period"), representing an increase of 31%, which outgrew the overall property sales registration volume of non-residential properties in Hong Kong. The consolidated net profit attributable to equity holders amounted to HK$49,888,000, up 12% as compared to HK$44,707,000 for the corresponding period in 2017.

Continuous positive market sentiment

During the Interim Period, the Hong Kong economy remained stable with high employment rate and relatively low interest rates. Consequently, the non-residential market flourished and property prices kept rising. According to the figures from the Land Registry, the number of non-residential property sale registrations in the first half of 2018 amounted to 12,979, up 20.7% as compared with the corresponding period last year and reached a six-year high. The registrations value reached approximately HK$82.1 billion, posting a year-on-year growth of 7.2%. Among various sectors, the performance of the industrial property market was particularly notable, mainly due to the relatively low capital outlay for the purchase of such properties. In addition, the demand from the investors on various refurbished sub-divided industrial projects was strong. The volume and value of the industrial property sales registrations year-on-year surged 55.2% and 80.7% respectively.

Despite the drop in the transaction volume and value in the office market as compared with the corresponding period last year, we believe that the actual market conditions were better than the figures suggested as some transactions did not take place by way of direct acquisition of properties. The demand for offices by Chinese enterprises remained strong. For the shop sector, the retail market was steady during the first half of 2018 and the number of property sale registrations in that sector just dropped slightly year-on-year by 0.9%.

LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Business Review (continued)

Efforts to generate income

During the first half of 2018, the market of big-ticket properties was red hot, and the Group delivered remarkable results. The concerted efforts of our sales elites resulted in the brokerage of a number of transactions valued at above hundred million dollar and outstanding sales performance.

Following the acquisition of the multi-storey property and several parking spaces of an industrial building in Kwai Chung, New Territories in March 2018, the Group further acquired the seventh and eighth floors of the Kaiseng Commercial Centre on Hankow Road, Tsim Sha Tsui and shop no.6 on ground floor at Cambridge Court on Waterloo Road, Kowloon in June respectively, with an aim to generate additional and stable rental income to the Group through acquisition and leasing of properties.

Improve shop efficiency

In the first half of 2018, the Group further restructured its branch network to improve its overall operation efficiency and profitability.

Focus on talent

Talent is the key to corporate development. During the Interim Period, the Group reviewed its internal talent pool in order to build a team of energetic and professional staff, and improve staff quality.

Outlook

Uncertainties in global economies

The ongoing China-US trade frictions have casted a shadow over the global trade market. The international economic landscape is full of uncertainties such as rising interest rates, stock market volatility, political instability after the Brexit vote, and the freefall of the Turkish lira. In addition, renminbi weakens and China's economic development faces certain underlying concerns. Nevertheless, the Chinese central government may adopt more stimulus measures to boost domestic demand, enhance the resilience to cope with various internal and external blows, and reduce the impact of potential risks on China's economy.

Outlook (continued)

Uncertainties in global economies (continued)

Following the opening of the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section) in the second half of the year, the economic and trade cooperation between China and Hong Kong will enter into a phase of proactive mutual growth. At the same time, the Chinese central government may introduce more favorable policies in the overall planning of the Greater Bay Area in the second half of the year to further propel the economic development in the region. The Group will strive to capture the underlying opportunities, and to foster a closer collaboration with the mainland operations of Midland Holdings Limited ("Midland Holdings") and its subsidiaries in order to increase its market share.

Positive prospects in the non-residential market

The Group remains cautiously optimistic about the non-residential market in Hong Kong. For the office sector, with the increasingly close economic and trade exchanges between China and Hong Kong, the fervor of Chinese enterprises opening offices in Hong Kong has not receded, and is expected to continue for a period of time. Henglilong Investments Limited's acquisition of Cityplaza Three and Cityplaza Four indicates that office properties in non-core districts will become the new pursuit. Furthermore, co-working space service providers have expanded their businesses through renting of office premises, which gradually becomes an impetus for rise in office rents.

For the industrial sector, the market demand remains robust. With the launches of a number of sub-divided projects, it is expected that the market sentiment will remain steady. Benefited from the significant growth of visitors to Hong Kong, especially from the mainland, the recovery in the retail industry may drive up the transactions in the shop sector.

Unified to reach new heights

Looking ahead, the Group will work together to fully utilise existing resources while actively seizing the opportunities in the non-residential market in Hong Kong. The Group will adjust its business strategy and management model according to market conditions to strengthen its leading position in the industry and further expand its market share. Additionally, the Group will continue to pursue business opportunities and seek business diversification to enhance shareholders value.

LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Appreciation

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

WONG Hon Shing, Daniel
Chief Executive Officer

Hong Kong, 28 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The Letter from Chief Executive Officer from pages 3 to 6 forms part of the Management Discussion and Analysis.

Liquidity, financial resources and funding

As at 30 June 2018, the Group had cash and bank balances of HK$557,086,000 (as at 31 December 2017: HK$750,312,000), whilst bank loans, amounted to HK$136,806,000 (as at 31 December 2017: HK$6,286,000) and unsecured zero coupon convertible note of HK$175,541,000 (as at 31 December 2017: HK$172,622,000).

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

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Secured bank loan with repayment on demand clause *(note)*		
– repayable within 1 year	**954**	961
– repayable after 1 year but within 2 years	**990**	988
– repayable after 2 years but within 5 years	**3,198**	3,137
– repayable over 5 years	**664**	1,200
	5,806	6,286
Secured bank loan repayable over 5 years	**131,000**	–
	136,806	6,286
Convertible note		
– repayable after 2 years but within 5 years	**175,541**	172,622

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

The Group's bank loans were secured by investment properties held by the Group of HK$287,700,000 (as at 31 December 2017: HK$72,600,000). As at 30 June 2018, the Group had unutilised borrowing facilities amounting to HK$15,000,000 (as at 31 December 2017: HK$15,000,000) from a bank. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loans are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity, financial resources and funding (continued)

As at 30 June 2018, the gearing ratio of the Group was 28.0% (as at 31 December 2017: 16.8%). The gearing ratio is calculated on the basis of the Group's total bank loans and convertible note over total equity of the Group. The increase in gearing ratio was a result of new bank loan raised during the Interim Period. Despite the increase in gearing ratio, the Group is still in a healthy position.

The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 2.5 (as at 31 December 2017: 3.4). The return on equity of the Group, which is the ratio of profit for the period over total equity of the Group was 4.5% (six months ended 30 June 2017: 4.4%).

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

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

Material acquisitions and other acquisitions

On 28 November 2017, the Group entered into target companies acquisition agreements and properties acquisition agreements (the "LMK Acquisitions"). Pursuant to the target companies acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell the entire issued shares (and including the assignment of sale debt) of the target companies. The principal assets of the target companies are the property interests in 6th and 8th floors of LMK Development Estate. Pursuant to the properties acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell 5th, 7th and 12th floors and three car parking spaces of LMK Development Estate. The aggregate consideration for the LMK Acquisitions is agreed at HK$196 million (subject to cash adjustment) and was settled by cash of the Group. The LMK Acquisitions were completed on 16 March 2018. During this period, these properties have been pledged to a bank to secure a bank loan of HK$131 million.

On 3 April 2018, the Group entered into a property acquisition agreement to acquire a shop No.6 on ground floor at Cambridge Court at a cash consideration of HK$26.68 million. The acquisition was completed on 28 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Material acquisitions and other acquisitions (continued)

On 12 April 2018, the Group entered into properties acquisition agreements to acquire 7th and 8th floors of Kaiseng Commercial Centre at an aggregate cash consideration of HK$125 million. The acquisition was completed on 12 June 2018. Details of the acquisition were set out in the Company's announcements dated 12 April 2018 and 12 June 2018.

The aforementioned properties are leased out for rental income. Acquisitions of these properties together with 33 & 35 Java Road which has been positioned as a serviced apartment project allow the Group to further broaden the income source, avoid the reliance on its volatile agency fee income and allow the Group to enjoy the possible capital appreciation of the properties. During the Interim Period, 33 & 35 Java Road, posted an improvement in occupancy rate.

Contingent liabilities

As at 30 June 2018, the Company executed corporate guarantees amounting to HK$160,780,000 (as at 31 December 2017: HK$29,780,000) as the securities for general banking facilities and bank loans granted to certain wholly-owned subsidiaries. As at 30 June 2018, HK$136,806,000 of the banking facilities were utilised by the subsidiaries (as at 31 December 2017: HK$6,286,000).

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

Employee information

As at 30 June 2018, the Group employed 745 full-time employees (as at 31 December 2017: 720). 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:

Long positions in the shares and underlying shares of the Company

Name of Director	Nature of interest/ Holding 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:

1. 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.
2. 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 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 the Company pursuant to an acquisition agreement dated 10 January 2017 (the "Acquisition Agreement").
3. 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 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.

OTHER INFORMATION (continued)

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:

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	610,976,997 *(Note 1)*	Interest of controlled corporation/Corporate interest	33.84%
Valuewit Assets Limited ("Valuewit")	610,976,997 *(Note 1)*	Beneficial owner/ Beneficial interest	33.84%
Luck Gain Holdings Limited ("Luck Gain")	869,565,216 *(Note 2)*	Interest of controlled corporation/Corporate interest	48.16%
Wealth Builder Holdings Limited ("Wealth Builder")	869,565,216 *(Note 2)*	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 *(Note 5)*	12,245,000 *(Note 3)*	Beneficial owner/ Beneficial interest	0.68%
	950,235,288 *(Note 4)*	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 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 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)

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.

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:

			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**
Director of the Company								
Mr. WONG Hon Shing, Daniel	10 December 2014	0.44	500,000	–	–	–	500,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	500,000	–	–	–	500,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	500,000	–	–	–	500,000	15 December 2016 to 14 December 2019

OTHER INFORMATION (continued)

Share Option Scheme (continued)

Name	Date of grant	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
			Number of share options					
Other participants								
Directors of Midland Holdings								
Mr. WONG Tsz Wa, Pierre	10 December 2014	0.44	3,000,000	–	–	–	3,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.44	3,000,000	–	–	–	3,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	3,000,000	–	–	–	3,000,000	15 December 2016 to 14 December 2019
Mr. CHEUNG Kam Shing	10 December 2014	0.44	500,000	–	–	–	500,000	15 December 2015 to 14 December 2019
	10 December 2014	0.44	500,000	–	–	–	500,000	15 December 2016 to 14 December 2019
Ms. IP Kit Yee, Kitty* *(Former Non-Executive Director of Midland Holdings)*	10 December 2014	0.44	333,000	–	333,000	–	–	15 December 2014 to 14 December 2019
	10 December 2014	0.44	333,000	–	333,000	–	–	15 December 2015 to 14 December 2019
	10 December 2014	0.44	334,000	–	334,000	–	–	15 December 2016 to 14 December 2019
Total			12,500,000	–	1,000,000	–	11,500,000	

* All the share options granted to Ms. IP Kit Yee, Kitty were lapsed on 28 February 2018.

OTHER INFORMATION (continued)

Share Option Scheme (continued)

Save as disclosed above, no share options of the Company were granted, exercised, cancelled or lapsed under the Share Option Scheme during the Interim Period.

Convertible Note

On 22 March 2017, the Company issued zero coupon convertible note due 2021 in principal amount of HK$200,000,000 at initial conversion price of HK$0.46 (after the effect of share consolidation) per share. The maximum number of shares to be issued upon full conversion is 434,782,608 shares (after the effect of share consolidation) and none of convertible note was converted up to 30 June 2018. Further details of the convertible note are set out in note 14 to the interim financial information (unaudited).

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

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

Interim Dividend

The Board does not declare an interim dividend for the Interim Period (for the six months ended 30 June 2017: 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 17 to 44 in this interim report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The audit committee has also reviewed this interim report.

OTHER INFORMATION (continued)

Acquisition of Certain Property Interests of Kaiseng Commercial Centre

On 12 April 2018, two properties acquisition agreements had been entered into among the purchasers (being Supreme Gold Development Limited and Grand Win (H.K.) Limited, both are wholly-owned subsidiaries of the Company), the seller (being State Well International Limited) and the agent (being Midland Realty (Comm.) Limited, a wholly-owned subsidiary of the Company). Pursuant to the properties acquisition agreements, the purchasers have agreed to acquire and the seller has agreed to sell the properties located at the whole of the 7th and 8th Floors, Kaiseng Commercial Centre, Nos. 4 & 6 Hankow Road, Kowloon, Hong Kong at an aggregate consideration of HK$125,000,000. The acquisition constituted discloseable transactions of the Company under the Listing Rules. Completion took place on 12 June 2018. Details were set out in the Company's announcements dated 12 April 2018 and 12 June 2018.

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 2018

		Six months ended 30 June	
	Note	**2018 HK$'000**	2017 HK$'000
Revenues	4	**410,999**	313,443
Other income	5	**3,574**	2,795
Staff costs		**(189,495)**	(161,615)
Rebate incentives		**(111,008)**	(56,088)
Advertising and promotion expenses		**(7,478)**	(7,199)
Operating lease charges in respect of office and shop premises		**(17,143)**	(16,754)
Impairment of receivables		**(9,976)**	(3,784)
Depreciation expenses		**(1,645)**	(1,554)
Other operating costs		**(15,571)**	(13,262)
Operating profit		**62,257**	55,982
Finance income		**1,832**	844
Finance costs	6	**(3,711)**	(2,616)
Profit before taxation		**60,378**	54,210
Taxation	7	**(10,490)**	(9,503)
Profit and total comprehensive income for the period attributable to equity holders		**49,888**	44,707
Earnings per share	9	**HK cents**	HK cents
Basic		**2.76**	2.77
Diluted		**2.36**	2.54

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		4,052	3,632
Investment properties	10	862,602	487,600
Deposits	11	–	29,751
Deferred taxation assets		2,526	3,370
		869,180	524,353
Current assets			
Trade and other receivables	11	364,994	264,333
Tax recoverable		1,522	1,600
Cash and bank balances		557,086	750,312
		923,602	1,016,245
Total assets		1,792,782	1,540,598
EQUITY AND LIABILITIES			
Equity holders			
Share capital	12	180,528	180,528
Share premium		745,086	745,086
Reserves		189,031	139,143
Total equity		1,114,645	1,064,757

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
Non-current liabilities			
Deferred taxation liabilities		836	739
Bank loan	15	131,000	–
Convertible note	14	175,541	172,622
		307,377	173,361
Current liabilities			
Trade and other payables	13	344,006	284,717
Bank loan	15	5,806	6,286
Taxation payable		20,948	11,477
		370,760	302,480
Total liabilities		678,137	475,841
Total equity and liabilities		1,792,782	1,540,598

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$'000	Total equity HK$'000
At 1 January 2018	**180,528**	**745,086**	**139,143**	**1,064,757**
Comprehensive income				
Profit for the period	**–**	**–**	**49,888**	**49,888**
At 30 June 2018	**180,528**	**745,086**	**189,031**	**1,114,645**
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				
Issuance of new shares	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

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	**49,045**	33,057
– Bank interest paid	**(79)**	(75)
Net cash from operating activities	**48,966**	32,982
Cash flows from investing activities		
– Net cash inflow from the acquisition of a subsidiary	**–**	26,387
– Payments for investment property under development	**–**	(6,692)
– Payments for investment properties	**(372,479)**	–
– Payments for property and equipment	**(2,065)**	(182)
– Bank interest received	**1,832**	844
Net cash (used in)/generated from investing activities	**(372,712)**	20,357
Cash flows from financing activities		
– Proceeds from bank loan	**131,000**	–
– Repayment of bank loan	**(480)**	(476)
Net cash generated from/(used in) financing activities	**130,520**	(476)
Net (decrease)/increase in cash and cash equivalents	**(193,226)**	52,863
Cash and cash equivalents at 1 January	**750,312**	657,661
Cash and cash equivalents at 30 June	**557,086**	710,524

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 provision of property agency services in respect of commercial and industrial properties and shops, and properties investment in Hong Kong.

Significant events and transactions completed during the Interim Period

During the period, the Group has completed the acquisition of investment properties of HK$372,479,000 (including transaction costs).

This unaudited condensed consolidated interim financial information has been approved by the Board on 28 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 liability component of convertible note which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The 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 new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), and HKASs and Interpretations ("Ints") (collectively "new HKFRSs").

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

2 Basis of preparation (continued)

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.

(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 the 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 the expected credit losses for financial assets and HKFRS 15 in relation to 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 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	Leases (note)	1 January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments (new interpretation)	1 January 2019

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

2 Basis of preparation (continued)

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

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 an 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.

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 related to the classification and measurement of financial assets and financial liabilities and general hedge accounting have no material effect on the Group's reported results and financial position for the current and prior accounting periods.

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

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

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 and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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.

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

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

(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. As allowed by HKFRS 15, the Group has applied the new requirements only for contracts that were not completed before 1 January 2018.

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.

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

(b) HKFRS 15, "Revenue from contracts with customers" (continued)

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

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 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 opening balances as at 1 January 2018.

4 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Agency fee	**407,218**	312,180
Rental income	**3,781**	1,263
Total revenues	**410,999**	313,443

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

4 Revenues and segment information (continued)

(b) Segment information

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

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

	Six months ended 30 June 2018				
	Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Properties investment HK$'000	Total HK$'000
Total revenues	152,773	127,753	140,570	3,781	424,877
Inter-segment revenues	(3,987)	(7,834)	(2,057)	–	(13,878)
Revenues from external customers	148,786	119,919	138,513	3,781	410,999
Segment results	25,059	16,856	30,777	4,382	77,074
Fair value gain on investment properties	–	–	–	2,523	2,523
(Impairment)/write back of receivables	(1,566)	1,977	(10,387)	–	(9,976)
Depreciation expenses	(104)	(537)	(958)	–	(1,599)
Additions to property and equipment	73	425	1,521	–	2,019
Additions to investment properties	–	–	–	372,479	372,479

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2017				
	Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Properties investment HK$'000	Total 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 property and equipment	16	22	88	–	126
Additions to investment properties	–	–	–	415,000	415,000

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, fair value gain on convertible note, 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 before taxation is provided as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Segment results for reportable segments	**77,074**	69,205
Service fee from a related party	**–**	692
Fair value gain on convertible note	**713**	–
Corporate expenses	**(15,530)**	(13,915)
Finance income	**1,832**	844
Finance costs	**(3,711)**	(2,616)
Profit before taxation per consolidated statement of comprehensive income	**60,378**	54,210

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. The following is total segment assets and liabilities by reportable segment:

	As at 30 June 2018				
	Property agency				
	Commercial properties HK$'000	**Industrial properties HK$'000**	**Shops HK$'000**	**Properties investment HK$'000**	**Total HK$'000**
Segment assets	**129,427**	**118,656**	**117,052**	**863,344**	**1,228,479**
Segment liabilities	**121,659**	**122,662**	**87,566**	**25,556**	**357,443**

	As at 31 December 2017				
	Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Properties investment HK$'000	Total HK$'000
Segment assets	105,377	86,221	72,571	518,434	782,603
Segment liabilities	107,890	102,144	58,788	24,014	292,836

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	**1,228,479**	782,603
Corporate assets	**561,777**	754,625
Deferred taxation assets	**2,526**	3,370
Total assets per consolidated balance sheet	**1,792,782**	1,540,598

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 2018 HK$'000	As at 31 December 2017 HK$'000
Segment liabilities	**357,443**	292,836
Corporate liabilities	**319,858**	182,266
Deferred taxation liabilities	**836**	739
Total liabilities per consolidated balance sheet	**678,137**	475,841

5 Other income

	Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Service fee from a related party	**–**	692
Fair value gains on investment properties	**2,523**	2,100
Fair value gain on convertible note	**713**	–
Others	**338**	3
	3,574	2,795

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

6 Finance costs

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Finance costs		
Interest on bank loan	**79**	75
Interest on convertible note	**3,632**	2,541
	3,711	2,616

7 Taxation

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Current		
Hong Kong profits tax	**9,549**	8,750
Deferred	**941**	753
	10,490	9,503

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.

8 Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

9 Earnings per share

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

	Six months ended 30 June	
	2018 **HK$'000**	2017 HK$'000
Profit attributable to equity holders	**49,888**	44,707
Effect on conversion of convertible note	**2,919**	2,541
Profit for calculation of diluted earnings per share	**52,807**	47,248
Weighted average number of shares for calculation of basic earnings per share (thousands)	**1,805,283**	1,613,113
Effect on conversion of convertible note (thousands)	**434,783**	242,613
Effect on conversion of share options (thousands)	**–**	1,505
Weighted average number of shares for calculation of diluted earnings per share (thousands)	**2,240,066**	1,857,231
Basic earnings per share (HK cents)	**2.76**	2.77
Diluted earnings per share (HK cents)	**2.36**	2.54

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.

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

9 Earnings per share (continued)

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options and the convertible note. The convertible note is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the related expenses. 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.

Diluted earnings per share for the six months ended 30 June 2018 did not assume the exercise of share option since the exercise of share options would have an anti-dilutive effect.

10 Investment properties

	2018 **HK$'000**
At 1 January	**487,600**
Additions	**372,479**
Change in fair value	**2,523**
At 30 June	**862,602**

Investment properties of HK$372,479,000 (including transaction costs of HK$24,779,000) were acquired during the period.

Fair value gains of HK$2,523,000 (2017: HK$2,100,000) on investment properties were recognised during the period.

Investment properties with fair value of HK$287,700,000 (as at 31 December 2017: HK$72,600,000) are pledged as security for the Group's bank loans (note 15).

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

10 Investment properties (continued)

As at 30 June 2018, valuations were undertaken by Midland Surveyors Limited, a related party and a qualified professional valuer, and Jones Lang LaSalle Limited, an independent qualified professional valuer. Both valuers have 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.

As at 30 June 2018 and 31 December 2017, all investment properties are included in level 3 in the fair value hierarchy.

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

Information about fair value measurements using significant unobservable inputs for the investment properties of office, industrial units, serviced apartments and shops in Hong Kong:

	Range of significant unobservable inputs	
Valuation method	Prevailing market rent per month	Capitalisation rate
Income capitalisation	HK$11.6 to HK$114.0 per square foot (saleable) (31 December 2017: HK$27.5 to HK$114.0 per square foot (saleable))	2.6% to 3.3% (31 December 2017: 2.8% to 3.5%)

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 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	375,130	275,440
Less: provision for impairment	(31,200)	(30,541)
Trade receivables, net	343,930	244,899
Other receivables, prepayments and deposits	21,064	49,185
	364,994	294,084
Categorised as		
Current portion	364,994	264,333
Non-current portion	–	29,751
	364,994	294,084

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

11 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 2018 HK$'000	As at 31 December 2017 HK$'000
Not yet due	**316,949**	228,708
Less than 30 days	**7,798**	3,056
31 to 60 days	**9,186**	3,397
61 to 90 days	**9,122**	3,582
91 to 180 days	**480**	5,364
Over 180 days	**395**	792
	343,930	244,899

12 Share capital

	Number of issued shares (HK$0.1 each)	Nominal value HK$'000
As at 31 December 2017 and 30 June 2018	1,805,282,608	180,528

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

13 Trade and other payables

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Commissions and rebate payables	**295,305**	243,634
Other payables and accruals	**48,701**	41,083
	344,006	284,717

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$22,975,000 (as at 31 December 2017: HK$46,495,000) which are due for payment within 30 days after period end, and all the remaining commissions and rebate payables are not yet due.

14 Convertible note

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

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

14 Convertible note (continued)

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

	2018 HK$'000
At 1 January	172,622
Interest expenses	3,632
Fair value gain	(713)
At 30 June	175,541

The carrying amount of the liability component which approximates its fair value is calculated using cash flows discounted at market interest rate of 4.90% per annum as at 30 June 2018.

15 Bank loans

The Group's bank loans are repayable as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Secured bank loan with repayment on demand clause		
Within 1 year	954	961
After 1 year but within 2 years	990	988
After 2 years but within 5 years	3,198	3,137
Over 5 years	664	1,200
	5,806	6,286
Secured bank loan repayable over 5 years	131,000	–
	136,806	6,286

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

15 Bank loans (continued)

The bank loan with outstanding balance of HK$5,806,000 (as at 31 December 2017: HK$6,286,000) contains a repayment on demand clause and is classified as current liabilities. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The bank loans are secured by investment properties of HK$287,700,000 (as at 31 December 2017: HK$72,600,000) held by the Group (note 10) and corporate guarantee given by the Company.

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

16 Capital commitment

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

17 Contingent liabilities

As at 30 June 2018, the Company executed corporate guarantee amounting to HK$160,780,000 (as at 31 December 2017: HK$29,780,000) as the securities for general banking facilities and bank loans granted to certain wholly-owned subsidiaries. As at 30 June 2018, HK$136,806,000 of the banking facilities were utilised by subsidiaries (as at 31 December 2017: HK$6,286,000).

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

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

18 Significant related party transactions

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

(a) Transactions with related parties

		Six months ended 30 June	
	Note	**2018** **HK$'000**	2017 HK$'000
Agency fee income from related companies	(i)	**9,810**	12,076
Rental income in respect of office premise from related companies	(ii)	**1,221**	1,238
Service fee from a related company	(iii)	**–**	692
Rebate incentives to related companies	(iv)	**(75,330)**	(41,745)
Operating lease rental expense to other related parties	(v)	**(1,820)**	(1,686)

Notes:

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

(ii) The Group entered into lease agreements with related companies on terms mutually agreed by both parties.

(iii) During the period ended 30 June 2017, service fee income from a related company 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 company at service fee charged on terms mutually agreed by both parties.

(iv) Rebate incentives to related companies represent commission for property agency transactions referred by related companies on terms mutually agreed by both parties.

(v) The Group entered into certain operating lease agreements with certain companies, of which the beneficial owner, Mr. WONG Kin Yip, Freddie, is a father of Ms. WONG Ching Yi, Angela, a director of the Company and the spouse of Ms. TANG Mei Lai, Metty, a director of the Company, on terms mutually agreed by both parties. Mr. WONG is also the director of Midland Holdings Limited.

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

18 Significant related party transactions (continued)

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

During the six months ended 30 June 2018, the Group shared administrative and corporate services on a cost basis with an aggregate amount of HK$3,764,000 with a related company (six months ended 30 June 2017: HK$5,275,000 with a related company).

(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 related companies	**20,636**	24,756
Amounts due to related companies	**(88,568)**	(74,311)

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

(c) *Key management compensation*

	Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Fees, salaries, allowances and incentives	**5,112**	3,104
Retirement benefit costs	**18**	10
	5,130	3,114

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

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