

Rise against the Wind and Progress with the Times



 美聯工商舖
MIDLAND IC&I
Midland IC&I Limited
Incorporated in the Cayman Islands with limited liability
(Stock code 股份代號: 459)

Interim Report 2021

www.midlandici.com.hk

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CORPORATE INFORMATION

BOARD OF DIRECTORS

*Executive Directors*Mr. WONG Kin Yip, Freddie (*Chairman*)

Ms. WONG Ching Yi, Angela

Mr. LO Chin Ho, Tony

Mr. WONG Alexander Yiu Ming

Independent Non-Executive Directors

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

Mr. WONG Chung Kwong

AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted (*Committee Chairman*)

Mr. SHA Pau, Eric

Mr. WONG Chung Kwong

REMUNERATION COMMITTEE

Mr. HO Kwan Tat, Ted (*Committee Chairman*)

Mr. WONG Kin Yip, Freddie

Mr. SHA Pau, Eric

Mr. WONG Chung Kwong

NOMINATION COMMITTEE

Mr. WONG Kin Yip, Freddie

(Committee Chairman)

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

Mr. WONG Chung Kwong

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela

Mr. SZE Ka Ming

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**Registered Public Interest Entity Auditor*

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

PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

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183 Queen's Road East

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STOCK CODE

459

LETTER FROM CHAIRMAN

BUSINESS REVIEW

Midland IC&I Limited (the “Company”) and its subsidiaries (collectively, the “Group”) announce that for the six months ended 30 June 2021 (the “Interim Period”), it recorded a revenue of HK\$288,818,000 (corresponding period in 2020: HK\$141,384,000), and profit attributable to equity holders amounted to HK\$33,255,000 (corresponding period in 2020: loss attributable to equity holders amounted to HK\$7,784,000).

The turnaround of the Group’s results in the Interim Period was mainly attributable to the rebound of non-residential property market in Hong Kong in the first half of 2021.

Rebound of Office, Industrial Premise and Shop Markets

As interest rate is expected to remain low for quite some time, and as the economy is gradually bottoming out and recovering, the non-residential property market has become active again. According to the figures from the Land Registry, after registering a half-on-half growth of 45.7% in the second half of 2020, non-residential property sales registrations increased by 28% in the first half of 2021 as compared with the second half of 2020. It appeared that the worst was over for the market and the local economy has begun to improve gradually.

During the Interim Period, the Group’s properties investment segment registered a slight drop in operating profit while occupancy rate increased. The Group’s money lending unit, Legend Credit Limited continued operating well, and actively developed loan portfolio, expanded loan size and posted profit growth.

Favorable Factors Boosted Transactions

The non-residential property market had suffered from a triple blow of trade disputes between Mainland and the US, social events and the outbreak of the pandemic. The sector was virtually frozen in the first half of 2020. The market had stabilized after the government introduced measures to stimulate the sales activities of the non-residential property sector. The Hong Kong Monetary Authority raised the mortgage ceiling for non-residential property from 40% to 50% in August 2020. In November 2020, the government abolished the Doubled Ad Valorem Stamp Duty on non-residential property transactions. These measures, coupled with the fact that pandemic getting largely contained in Hong Kong, led to a spectacular gain in the transaction volume of non-residential properties in the first half of 2021.

LETTER FROM CHAIRMAN *(continued)*

BUSINESS REVIEW *(continued)*

Favorable Factors Boosted Transactions (continued)

The global pandemic has forced many Hong Kong people who would normally have traveled overseas to stay put, offsetting the impact of the sharp decline of tourist arrivals on the retail sector. As the pandemic has gradually eased, the general consumption sentiment in Hong Kong has improved, driving up the transaction volumes of neighborhood shops, offices, and industrial premises. In the first half of 2021, the sales registration volume of shops rose by 130% as compared with the corresponding period in 2020. In the meantime, sales registration volumes of offices and industrial premises jumped by 191% and 172% respectively. The current ultra-low interest rate environment is lifting the market's investment sentiments. Experienced investors have been actively investing since the beginning of 2021, acquiring neighboring shops and some commercial properties which posted excessive drop in prices.

OUTLOOK

Bright Economic Prospects with Good Momentum for Recovery

The Group is positive on the market outlook. The fundamentals of the non-residential property sector have improved substantially after the restoration of public order and the containment of the pandemic. Demand for non-residential properties may further strengthen as the local GDP continues to grow. The Group believes that the recent rollout of the "Consumption Voucher Scheme" by the government will provide an extra boost to the economy.

Among various non-residential property sub-segments, neighboring shop segment is expected to outperform and drive up the overall shop market. Firstly, the "Consumption Voucher Scheme" launched by the government will help stimulate local spending, benefiting the retail sector, and landlords may gain bargaining power and raise rents and prices substantially. Secondly, the steady rise of the vaccination rate and the significant reduction in the number of domestically-transmitted COVID-19 cases have created a favorable condition for border reopening and boosted the confidence of consumers.

In addition, the Group is optimistic about the performance of both the office and the industrial segments. As the pandemic gets under control, many big corporations have cancelled their "Work from Home" arrangements. Even though it is hard to ascertain the actual impact of remote working in the post-pandemic era, demand for office premise is not likely to drop sharply further in the near term. As long as the monetary policies stay loose, investment demand for office and industrial premises are expected to stay strong.

LETTER FROM CHAIRMAN *(continued)*

OUTLOOK *(continued)*

External Factors Darken the Horizon

Nevertheless, market concerns remain. In 2020, the wealth effect prompted by the outstanding equity market performance provided strong support to the property market. But some investors might have incurred considerable loss in 2021 due to the volatility of the stock market and the substantial correction of some popular technology stocks. That said, the weakness of the stock market may not be adverse to the property sector. In the view of the loose monetary conditions, the appetite of the Hong Kong people for asset investment is particularly strong. If they lose confidence in the stock market, they may shift their focus to the property investment. Meanwhile, anxiety is growing about the loss of momentum for the US economy, which would drag down the global economic recovery. At present, the US is facing the triple blow of consumer goods supply bottlenecks, withdrawal of economic stimulus programs in some states, as well as the outbreak of the ultra-infectious Delta variant, all of which darken the horizon for the rebound of the US economy.

Fortunately, the Chinese government has implemented various measures to stimulate the economy. In July 2021, the Bank of China cut the reserve requirement ratio (RRR) by 50 basis points to free up approximately Renminbi 1 trillion of long-term capital to support the development of the economy. The Group is of the view that Hong Kong is to benefit from the economic growth in Mainland.

Strategic Adjustments to Seize Development Opportunities

In the past few months, the Group expanded its properties investment portfolio through acquiring a number of shops in Hong Kong at total consideration of around HK\$220 million with completion to take place after the Interim Period so as to broaden its source of income. In addition, the Group made a strategic move to reshuffle its sales management team, and enhanced on (1) increasing its market share in the en-bloc market; and (2) stimulating cross-referrals among various business units. The Group will continue to explore opportunities to enrich its properties investment portfolio and to develop its money lending business while at the same time strengthening the market position of its agency business.

In view of the Group's restructuring of the human resources in July, the reinvigoration of the sales management team and the bottoming out of the non-residential properties market, the Group hopes the business outlook to continue to stay positive.

LETTER FROM CHAIRMAN *(continued)*

APPRECIATION

I would like to take this opportunity to express our heartfelt gratitude to our shareholders and customers, and to thank our management and staff for their dedication and efforts during the Interim Period.

WONG Kin Yip, Freddie
Chairman

Hong Kong, 25 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2021, the Group had cash and cash equivalents of HK\$304,331,000 (as at 31 December 2020: HK\$478,319,000) and bonds investment of HK\$40,810,000 (as at 31 December 2020: HK\$45,031,000), whilst bank loans amounted to HK\$253,784,000 (as at 31 December 2020: HK\$134,332,000).

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

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Secured bank loan with repayment on demand clause <i>(note)</i>		
– repayable within 1 year	1,061	1,312
– repayable after 1 year but within 2 years	1,091	1,075
– repayable after 2 years but within 5 years	632	945
	2,784	3,332
Secured bank loans without repayment on demand clause		
– repayable within 1 year	4,500	–
– repayable after 1 year but within 2 years	8,500	–
– repayable after 2 years but within 5 years	238,000	131,000
	251,000	131,000
	253,784	134,332
Convertible note		
– repayable within 1 year	–	198,688

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

The Group's bank loans were secured by certain investment properties held by the Group of HK\$665,600,000 (as at 31 December 2020: HK\$279,900,000). As at 30 June 2021, the Group had unutilised borrowing facilities amounting to HK\$145,000,000 (as at 31 December 2020: HK\$65,000,000) from banks. 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.

During the Interim Period, the Company has fully redeemed the convertible note at their principal amount of HK\$200 million.

As at 30 June 2021, the gearing ratio of the Group was 22.6% (as at 31 December 2020: 30.6%). The gearing ratio is calculated on the basis of the Group's total bank loans and convertible note over total equity of the Group.

The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 3.2 (as at 31 December 2020: 1.9). The return on equity of the Group, which is the ratio of profit/(loss) for the period over total equity was 3.0% (for the six months ended 30 June 2020: -0.7%).

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its available cash so as to generate investment return to enhance the Group's financial position. The criteria for selection of investments will include (i) the risk profile involved and not speculative in nature; (ii) the liquidity of an investment; (iii) the after tax equivalent yield of an investment; and (iv) structured products are prohibited. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities with good credit quality. Investment in fixed income products are structured in different maturity profile to cater for ongoing business development. As at 30 June 2021, the Group has short term bank deposits of HK\$186,708,000 (as at 31 December 2020: HK\$349,844,000) and bonds investment of HK\$40,810,000 (as at 31 December 2020: HK\$45,031,000).

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Acquisition of properties

(i) Acquisition agreements entered into during the Interim Period

In May and June 2021, the Group entered into several properties acquisition agreements (the “Properties Acquisition Agreements”) and target companies acquisition agreements (the “Target Companies Acquisition Agreements”).

Pursuant to the Properties Acquisition Agreements, the Group has agreed to acquire 3 shops in Hong Kong at a total consideration of HK\$97.3 million. The transactions are to be completed in August and September 2021.

Pursuant to the Target Companies Acquisition Agreements, the Group has agreed to acquire the entire issued shares (and including the assignment of sale debt) of the target companies at a total consideration of HK\$71.3 million. The principal assets of the target companies are 2 shops in Hong Kong. The transactions are to be completed in September 2021.

Details of the acquisitions were set out in the Company’s announcements dated 7 May 2021, 10 May 2021, 13 May 2021, 14 May 2021 and 9 June 2021.

(ii) Acquisition agreements entered into after the Interim Period

In July 2021, the Group has further entered into a property acquisition agreement to acquire a shop in Hong Kong at a consideration of HK\$24.8 million. The transaction is to be completed in October 2021.

In August 2021, the Group has entered into another target company acquisition agreement, in which the Group has agreed to acquire the entire issued shares (and including the assignment of sale debt) of the target company at a consideration of HK\$25.9 million. The principal asset of the target company is a shop in Hong Kong. The transaction is to be completed in October 2021.

Details of the acquisitions were set out in the Company’s announcements dated 7 July 2021 and 18 August 2021.

All the above properties are intended to be leased out for rental income. The Group intend to settle the above acquisitions using internal resources and/or external financing of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Acquisition of properties (continued)

The financial position of the Group remains solid and healthy. The above acquisitions allow the Group to further broaden the income source and avoid the reliance on its volatile agency fee income and allow the Group to enjoy the possible capital appreciation of the properties.

With committed banking facilities in place, continuous cash inflow from property agency business and a solid base of recurrent income, 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.

Contingent Liabilities

As at 30 June 2021, the Company executed corporate guarantee amounting to HK\$410,780,000 (as at 31 December 2020: HK\$210,780,000) as the securities for general banking facilities and borrowing facilities granted to certain subsidiaries. As at 30 June 2021, banking facilities of HK\$253,784,000 (as at 31 December 2020: HK\$134,332,000) were utilised by these subsidiaries.

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 condensed 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 2021, the Group employed 594 full-time employees (as at 31 December 2020: 570).

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 2021, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or otherwise, were as follows:

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

Name of Director	Number of ordinary shares		Total	Approximate percentage of the issued voting shares of the Company
	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporation		
Mr. WONG Kin Yip, Freddie	33,061,500	897,401,928 <i>(Note)</i>	930,463,428	51.54%

Note: 273,907,222 shares of the Company were held by Sunluck Services Limited ("Sunluck Services") which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited ("Southern Field"), and 623,494,706 shares of the Company were held by Wealth Builder Holdings Limited ("Wealth Builder") which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Luck Gain Holdings Limited ("Luck Gain").

OTHER INFORMATION (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

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

Name of associated corporation	Name of Director	Number of ordinary shares			Total	Approximate percentage of the issued voting shares of associated corporation
		Personal interest/Beneficial owner	Corporate interest/Interest of controlled corporation	Family interest/Interest of spouse		
Powerful Surge Group Limited	Ms. WONG Ching Yi, Angela	5	-	-	5	5%

Save as disclosed above, as at 30 June 2021, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this interim report, at no time during the Interim Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION (continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholders	Number of ordinary shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Luck Gain	623,494,706 <i>(Note 1)</i>	Interest of controlled corporation/ Corporate interest	34.54%
Wealth Builder	623,494,706 <i>(Note 1)</i>	Beneficial owner/ Beneficial interest	34.54%
Southern Field	273,907,222 <i>(Note 2)</i>	Interest of controlled corporation/ Corporate interest	15.17%
Sunluck Services	273,907,222 <i>(Note 2)</i>	Beneficial owner/ Beneficial interest	15.17%
Ms. TANG Mei Lai, Metty	930,463,428 <i>(Note 3)</i>	Interest of spouse/ Family interest	51.54%

OTHER INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

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

Notes:

1. Luck Gain, which was directly wholly-owned by Mr. WONG Kin Yip, Freddie, was deemed to be interested in the 623,494,706 shares held by its directly wholly-owned subsidiary, Wealth Builder, under the SFO. These interests are also disclosed as the interests of 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.
2. Southern Field, which was directly wholly-owned by Mr. WONG Kin Yip, Freddie, was deemed to be interested in the 273,907,222 shares held by its directly wholly-owned subsidiary, Sunluck Services, under the SFO. These interests are also disclosed as the interests of 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.
3. Ms. TANG Mei Lai, Metty was deemed to be interested in the 930,463,428 shares directly and indirectly held by her spouse, Mr. WONG Kin Yip, Freddie. These interests are also disclosed as the interests of 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.

Save as disclosed above, as at 30 June 2021, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION (continued)

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 18 June 2020, the Company adopted the share option scheme (the “Share Option Scheme”).

There were no share options of the Company outstanding under the Share Option Scheme nor was any share option of the Company 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 the principal amount of HK\$200 million at an initial conversion price of HK\$0.46 (after the effect of share consolidation) per share. On 22 March 2021 (the maturity date of the convertible note), the Company has fully redeemed the convertible note at its principal amount of HK\$200 million. Further details of the convertible note are set out in note 14 to the condensed consolidated interim financial information (unaudited).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

INTERIM DIVIDEND

The board of Directors does not declare an interim dividend for the Interim Period (for the six months ended 30 June 2020: Nil).

OTHER INFORMATION (continued)

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited condensed consolidated interim financial information of the Group for the Interim Period from pages 18 to 46 in this interim report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee of the Company has also reviewed this interim report.

CHANGES IN DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the Director's information subsequent to the date of the 2020 annual report of the Company are set out below:

Ms. WONG Ching Yi, Angela is entitled to an annual director's fee of HK\$100,000, extra remuneration of HK\$200,000 per month and profit sharing to be determined based on the profits arising from the Group in the relevant financial year.

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.

On 6 May 2021, Mr. YING Wing Cheung, William resigned as an Independent Non-Executive Director, and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Accordingly, the respective number of Independent Non-Executive Directors and Audit Committee members of the Company fell below the required minimum number under Rules 3.10(1) and 3.21 of the Listing Rules. On 1 July 2021, the Company announced the appointment of Mr. WONG Chung Kwong as an Independent Non-Executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Following the aforesaid appointment, the Company has fulfilled the requirement of the respective minimum number of Independent Non-Executive Directors and Audit Committee members under the Listing Rules.

OTHER INFORMATION (continued)

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 2021

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenues	3	288,818	141,384
Other income, net	4	524	2,523
Staff costs		(156,348)	(93,029)
Rebate incentives		(33,048)	(19,090)
Advertising and promotion expenses		(3,923)	(3,989)
Amortisation of right-of-use assets (lease)		(13,242)	(16,578)
Depreciation of property and equipment		(821)	(1,461)
Net impairment losses on financial assets		(18,393)	(2,965)
Other operating costs	5	(19,831)	(15,754)
Operating profit/(loss)		43,736	(8,959)
Bank interest income		209	5,015
Interest on bank loans		(1,239)	(2,212)
Interest on lease liabilities		(253)	(449)
Interest on convertible note		(1,829)	(3,958)
Profit/(loss) before taxation		40,624	(10,563)
Taxation	6	(7,387)	2,702
Profit/(loss) and total comprehensive income/ (loss) for the period		33,237	(7,861)
Profit/(loss) and total comprehensive income/ (loss) attributable to:			
Equity holders		33,255	(7,784)
Non-controlling interests		(18)	(77)
		33,237	(7,861)
Earnings/(loss) per share	8	HK cents	HK cents
Basic		1.842	(0.431)
Diluted		1.728	(0.431)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30 JUNE 2021

	Note	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
ASSETS			
Non-current assets			
Property and equipment		2,408	2,570
Right-of-use assets		24,268	20,168
Investment properties	9	813,600	813,600
Deposits	10	20,936	–
Other financial assets at amortised cost		25,267	27,796
Deferred tax assets		8,653	10,755
		895,132	874,889
Current assets			
Trade and other receivables	10	176,168	116,617
Loan receivables	11	204,125	114,340
Other financial assets at amortised cost		15,543	17,235
Tax recoverable		1,078	6,386
Cash and cash equivalents		304,331	478,319
		701,245	732,897
Total assets		1,596,377	1,607,786
EQUITY AND LIABILITIES			
Equity holders			
Share capital	12	180,528	180,528
Share premium		745,086	745,086
Reserves		188,713	155,458
		1,114,327	1,081,072
Non-controlling interests		6,890	6,908
Total equity		1,121,217	1,087,980

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

AS AT 30 JUNE 2021

	Note	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		6,453	4,531
Lease liabilities		5,965	4,456
Bank loans	13	246,500	131,000
		258,918	139,987
Current liabilities			
Trade and other payables	15	181,433	155,512
Amounts due to non-controlling interests	16	420	420
Lease liabilities		21,203	18,236
Bank loans	13	7,284	3,332
Tax payable		5,902	3,631
Convertible note	14	–	198,688
		216,242	379,819
Total liabilities		475,160	519,806
Total equity and liabilities		1,596,377	1,607,786

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital	Share premium	Reserves	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	180,528	745,086	155,458	1,081,072	6,908	1,087,980
Profit/(loss) for the period	-	-	33,255	33,255	(18)	33,237
At 30 June 2021	180,528	745,086	188,713	1,114,327	6,890	1,121,217
At 1 January 2020	180,528	745,086	162,733	1,088,347	7,664	1,096,011
Loss for the period	-	-	(7,784)	(7,784)	(77)	(7,861)
At 30 June 2020	180,528	745,086	154,949	1,080,563	7,587	1,088,150

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities		
– Net cash used in operations	(66,386)	(12,569)
– Hong Kong profits tax refunded/(paid)	4,216	(5,061)
– Interest element of lease payments	(253)	(449)
– Bank interest paid	(1,239)	(2,212)
Net cash outflow from operating activities	(63,662)	(20,291)
Cash flows from investing activities		
– Acquisition of property and equipment	(659)	(363)
– Deposits paid	(20,936)	–
– Proceeds from redemption of other financial assets at amortised cost	4,221	–
– Bank interest received	209	5,015
Net cash (used in)/generated from investing activities	(17,165)	4,652
Cash flows from financing activities		
– Advanced from non-controlling interests	–	210
– Principal element of lease payments	(12,613)	(17,702)
– Proceeds from borrowings	120,000	–
– Repayment of bank loan	(548)	(500)
– Redemption of convertible note	(200,000)	–
Net cash used in financing activities	(93,161)	(17,992)
Net decrease in cash and cash equivalents	(173,988)	(33,631)
Cash and cash equivalents at 1 January	478,319	543,759
Cash and cash equivalents at 30 June	304,331	510,128

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

1 General information

Midland IC&I Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together, the “Group”) are the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment in Hong Kong.

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 (the “Board”) on 25 August 2021.

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

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared under the historical cost convention as modified by the revaluation of investment properties which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group’s consolidated financial statements for the year ended 31 December 2020, except for the adoption of the new or amended HKFRSs, HKASs and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2021.

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

2 Basis of preparation (continued)

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 2020.

(a) *New standards, interpretation and amendments effective in 2021*

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

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

The Group has not early applied the new or revised standards, interpretations and amendments that have been issued but not yet effective. The adoption of these new or revised standards, interpretations and amendments is not expected to have a material impact on the Group's unaudited interim results and financial position.

3 Revenues and segment information

(a) *Revenues*

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Agency fee	270,252	129,098
Revenues from other sources		
Rental income	9,558	9,195
Interest income from credit business	7,980	2,413
Interest income from securities investment	1,028	678
	18,566	12,286
Total revenues	288,818	141,384

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

3 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 principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, properties investment, credit business and securities investment.

	Six months ended 30 June 2021						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	113,564	62,744	107,528	9,558	7,980	1,028	302,402
Inter-segment revenues	(3,298)	(4,132)	(6,154)	-	-	-	(13,584)
Revenues from external customers	110,266	58,612	101,374	9,558	7,980	1,028	288,818
Timing of revenue recognition							
- At a point in time	110,266	58,612	101,374	-	-	-	270,252
Rental income	-	-	-	9,558	-	-	9,558
Interest income	-	-	-	-	7,980	1,028	9,008
	110,266	58,612	101,374	9,558	7,980	1,028	288,818
Segment results	14,920	5,561	18,149	5,808	5,342	817	50,597
Amortisation of right-of-use assets (lease)	(5,588)	(2,900)	(4,754)	-	-	-	(13,242)
Depreciation of property and equipment	(58)	(250)	(478)	(32)	(3)	-	(821)
Net impairment losses on financial assets	(4,422)	(1,466)	(12,505)	-	-	-	(18,393)
Additions to non-current assets	9	424	36	15	1	-	485

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

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2020						
	Property agency			Properties investment	Credit Business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	57,974	28,655	49,183	9,195	2,413	678	148,098
Inter-segment revenues	(2,877)	(1,203)	(2,634)	-	-	-	(6,714)
Revenues from external customers	55,097	27,452	46,549	9,195	2,413	678	141,384
Timing of revenue recognition							
- At a point in time	55,097	27,452	46,549	-	-	-	129,098
Rental income	-	-	-	9,195	-	-	9,195
Interest income	-	-	-	-	2,413	678	3,091
	55,097	27,452	46,549	9,195	2,413	678	141,384
Segment results	(1,703)	(448)	(13,687)	6,292	1,330	678	(7,538)
Amortisation of right-of-use assets (lease)	(7,130)	(3,472)	(5,976)	-	-	-	(16,578)
Depreciation of property and equipment	(60)	(148)	(1,220)	(30)	(3)	-	(1,461)
Net reversal of impairment/ (impairment losses) on financial assets	537	194	(3,696)	-	-	-	(2,965)
Additions to non-current assets	8	69	26	30	1	-	134

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Fair value gain/(loss) on convertible note, government subsidy, corporate expenses, bank interest income, interest on bank loans, interest on convertible note and taxation are not included in the segment results.

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

A reconciliation of segment results to profit/(loss) before taxation is provided as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Segment results for reportable segments	50,597	(7,538)
Fair value gain/(loss) on convertible note (note 14)	517	(2,138)
Government subsidy	–	4,609
Corporate expenses	(7,631)	(4,341)
Bank interest income	209	5,015
Interest on bank loans	(1,239)	(2,212)
Interest on convertible note (note 14)	(1,829)	(3,958)
Profit/(loss) before taxation per condensed consolidated statement of comprehensive income	40,624	(10,563)

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

	As at 30 June 2021						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	76,042	49,139	72,468	836,155	204,271	41,076	1,279,151
Segment liabilities	66,994	51,179	60,370	17,981	1,880	224	198,628

	As at 31 December 2020						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	56,748	29,499	44,139	817,100	121,654	45,326	1,114,466
Segment liabilities	70,053	36,527	39,300	18,223	1,362	174	165,639

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Segment assets	1,279,151	1,114,466
Corporate assets	308,573	482,565
Deferred tax assets	8,653	10,755
Total assets per condensed consolidated balance sheet	1,596,377	1,607,786

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Segment liabilities	198,628	165,639
Corporate liabilities	270,079	349,636
Deferred tax liabilities	6,453	4,531
Total liabilities per condensed consolidated balance sheet	475,160	519,806

4 Other income, net

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Fair value gain/(loss) on convertible note (note 14)	517	(2,138)
Government subsidy	-	4,609
Others	7	52
	524	2,523

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

5 Other operating costs

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Office and branch operating expenses (Remark)	6,372	5,677
Government rent and rates, building management fee (leased properties and investment properties)	2,782	2,767
Legal and professional fee	3,420	2,230
Trademark licensing fee (note 19 (a))	1,189	–
Auditor's remuneration		
– audit services	629	629
– interim results review	343	343
Others	5,096	4,108
	19,831	15,754

For the period ended 30 June 2021, direct operating expenses arising from investment properties that generated rental income were HK\$2,373,000 in which HK\$1,197,000 were included in other operating costs.

For the period ended 30 June 2020, direct operating expenses arising from investment properties that generated rental income and did not generate rental income were HK\$1,597,000 and HK\$202,000 respectively, in which HK\$549,000 were included in other operating costs.

Remark: Office and branch operating expenses include utilities expenses, communication expenses, printing and stationary, transportation, and repair and maintenance.

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

6 Taxation

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	3,363	592
Deferred taxation	4,024	(3,294)
	7,387	(2,702)

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2020: 16.5%) on the estimated assessable profit for the period.

7 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

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

8 Earnings/(loss) per share

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Profit/(loss) attributable to equity holders	33,255	(7,784)
Effect on conversion of convertible note	1,312	-
Profit/(loss) for calculation of diluted earnings/(loss) per share	34,567	(7,784)
Weighted average number of shares for calculation of basic earnings/(loss) per share (thousands)	1,805,283	1,805,283
Effect on conversion of convertible note (thousands)	194,571	-
Weighted average number of shares for calculation of diluted earnings/(loss) per share (thousands)	1,999,854	1,805,283
Basic earnings/(loss) per share (HK cents)	1.842	(0.431)
Diluted earnings/(loss) per share (HK cents)	1.728	(0.431)

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

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

For the period ended 30 June 2020, no adjustment has been made to the loss attributable to equity holders and the weighted average number of shares as the exercise of the convertible note would have an anti-dilutive effect.

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

9 Investment properties

	HK\$'000
At 31 December 2020 and 30 June 2021	813,600

No fair value changes (for the six months ended 30 June 2020: Nil) on investment properties were recognised during the period.

Investment properties of HK\$665,600,000 (as at 31 December 2020: HK\$279,900,000) are pledged as security for the Group's bank loans (note 13).

As at 30 June 2021, valuations were undertaken by Jones Lang LaSalle Limited, an independent qualified professional valuer. The valuer has appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties are generally derived using the income capitalisation method and direct comparison method, wherever appropriate. Income capitalisation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on sales prices of comparable properties in close proximity which are adjusted for differences in key attributes such as size, floor level, layout, view, frontage and accessibility etc.

As at 30 June 2021 and 31 December 2020, all investment properties are included in level 3 in the fair value hierarchy.

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

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

9 Investment properties (continued)

Information about fair value measurements using significant unobservable inputs:

Office, industrial units and serviced apartments:

Valuation method	Range of significant unobservable inputs		
	Prevailing market rent per month	Unit price	Capitalisation rate
Income capitalisation	HK\$29.1 to HK\$38.6 per square foot (saleable) (31 December 2020: HK\$29.1 to HK\$38.6 per square foot (saleable))	N/A	2.6% to 3.3% (31 December 2020: 2.6% to 3.3%)
Direct comparison	N/A	HK\$4,330 to HK\$42,200 per square foot (saleable) (31 December 2020: HK\$4,330 to HK\$42,200 per square foot (saleable))	N/A

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

9 Investment properties (continued)

Shops:

Valuation method	Range of significant unobservable inputs	
	Prevailing market rent per month	Capitalisation rate
Income capitalisation	HK\$74.0 per square foot (saleable) (31 December 2020: HK\$74.0 per square foot (saleable))	2.96% (31 December 2020: 2.96%)

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

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

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

10 Trade and other receivables

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Trade receivables	209,910	126,620
Less: loss allowance	(50,642)	(35,762)
Trade receivables, net	159,268	90,858
Other receivables, prepayments and deposits	37,836	25,759
	197,104	116,617
Categorised as:		
Current portion	176,168	116,617
Non-current portion	20,936	–
	197,104	116,617

As at 30 June 2021, the non-current portion of HK\$20,936,000 (as at 31 December 2020: Nil) mainly represents deposits made for properties acquisition.

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

10 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 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 2021 HK\$'000	As at 31 December 2020 HK\$'000
Current (not yet due)	132,839	76,670
Less than 30 days past due	16,873	10,182
31 to 60 days past due	6,845	2,601
61 to 90 days past due	1,008	762
More than 90 days past due	1,703	643
	159,268	90,858

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

11 Loan receivables

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

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Within 1 year	204,125	114,340

Loan receivables represent property mortgage loans granted to customers in Hong Kong.

The Group's loan receivables are denominated in Hong Kong dollars.

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
As at 31 December 2020 and 30 June 2021	1,805,282,608	180,528

13 Bank loans

The Group's bank loans comprise the following:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Current portion	7,284	3,332
Non-current portion	246,500	131,000
	253,784	134,332

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

13 Bank loans (continued)

The Group's bank loans are repayable as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Secured bank loan with repayment on demand clause		
– repayable within 1 year	1,061	1,312
– repayable after 1 year but within 2 years	1,091	1,075
– repayable after 2 years but within 5 years	632	945
	2,784	3,332
Secured bank loans without repayment on demand clause		
– repayable within 1 year	4,500	–
– repayable after 1 year but within 2 years	8,500	–
– repayable after 2 years but within 5 years	238,000	131,000
	251,000	131,000
	253,784	134,332

The bank loan with outstanding balance of HK\$2,784,000 (as at 31 December 2020: HK\$3,332,000) 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\$665,600,000 (as at 31 December 2020: HK\$279,900,000) held by the Group (note 9) and corporate guarantee given by the Company.

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

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

14 Convertible note

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

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

	2021 HK\$'000
At 1 January	198,688
Interest expenses	1,829
Fair value gain	(517)
Redemption	(200,000)
At 30 June	—

The Company has fully redeemed the convertible note at their principal amount of HK\$200 million on the Maturity Date.

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

15 Trade and other payables

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Commissions and rebate payables	130,146	108,178
Other payables and accruals	51,287	47,334
	181,433	155,512

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\$17,333,000 (as at 31 December 2020: HK\$23,739,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period end, and all the remaining commissions and rebate payables are not yet due.

16 Amounts due to non-controlling interests

The amounts are unsecured, interest free and repayable on demand.

17 Capital commitments

As at 30 June 2021, the Group has capital commitments related to properties and companies acquisitions contracted for but not recognised as liabilities of HK\$151,820,000 (as at 31 December 2020: Nil).

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

18 Contingent liabilities

As at 30 June 2021, the Company executed corporate guarantee amounting to HK\$410,780,000 (as at 31 December 2020: HK\$210,780,000) as the securities for general banking facilities and borrowing facilities granted to certain subsidiaries. As at 30 June 2021, banking facilities of HK\$253,784,000 (as at 31 December 2020: HK\$134,332,000) were utilised by these subsidiaries.

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 condensed 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.

19 Significant related party transactions

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

(a) Transactions with related parties

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Agency fee income from related companies	(i)	14,986	9,482
Rental income from related companies	(ii)	1,768	1,259
Rebate incentives to related companies	(iii)	(27,035)	(15,550)
Trademark licensing fee to a related company (note 5)	(iv)	(1,189)	–
Licensing fee to a related party	(v)	(211)	(211)
Management fee expenses to a related party	(vi)	(327)	(318)

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

19 Significant related party transactions (continued)

(a) Transactions with related parties (continued)

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) Rebate incentives to related companies represent rebate incentives for property agency transactions referred by related companies on terms mutually agreed by both parties.
- (iv) Trademark licensing fee paid to a related company on terms mutually agreed by both parties.
- (v) Licensing fee paid to a related party, which is the joint venture of Midland Holdings Limited ("Midland Holdings"), on terms mutually agreed by both parties.
- (vi) Management fee expenses to a related party, of which Mr. WONG is the beneficial owner, for the provision of administration services on terms mutually agreed by both parties.

In addition to the above, the Group shared administrative and corporate services on a cost basis with an aggregate amount of HK\$8,126,000 with related companies (for the six months ended 30 June 2020: HK\$5,296,000).

- (b) During the six months ended 30 June 2021, the Group has made lease payments of HK\$1,938,000 to companies, of which Mr. WONG is the beneficial owner (for the six months ended 30 June 2020: HK\$1,968,000).

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

19 Significant related party transactions (continued)

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

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Trade and other receivables		
Amounts due from related companies	29,275	22,265
Trade and other payables		
Amounts due to related companies	(31,887)	(33,586)
Lease liabilities		
Amounts due to other related parties (note (b))	(2,834)	(4,717)

The related companies referred to in notes (a) and (c) represent the subsidiaries of Midland Holdings. Mr. WONG is also the director and substantial shareholder of Midland Holdings.

(d) Balances with non-controlling interests at respective end of reporting dates are set out in the condensed consolidated balance sheet and note 16. The balances included an amount due to a director of HK\$210,000 (as at 31 December 2020: HK\$210,000).

(e) *Key management compensation*

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Fees, salaries, allowances and incentives	5,579	2,306
Retirement benefit costs	10	10
	5,589	2,316

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

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

20 Event after the reporting period

In July 2021, the Group entered into a property acquisition agreement to acquire a shop in Hong Kong at a consideration of HK\$24,800,000.

In August 2021, the Group further entered into a target company acquisition agreement at a consideration of HK\$25,900,000. The principal asset of the target company is a shop in Hong Kong.

The transactions are to be completed in October 2021.