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美聯工商舖
MIDLAND IC&I

Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 459)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of Midland IC&I Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017 (the "Interim Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2017

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

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) (CONTINUED)

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Note	***HK cents***	*HK cents*
			(Restated)
Earnings/(loss) per share	*7*		
Basic		**2.77**	(0.67)[1]
Diluted		**2.54**	(0.67)[1]

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

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2017

	Note	**As at 30 June 2017 HK$'000**	As at 31 December 2016 HK$'000
ASSETS			
Non-current assets			
Property and equipment		**3,421**	4,793
Investment properties		**66,500**	64,400
Investment property under development	*9*	**415,000**	-
Deferred taxation assets		**1,650**	2,280
		486,571	71,473
Current assets			
Trade and other receivables	*10*	**307,088**	265,097
Tax recoverable		**1,589**	1,812
Cash and bank balances		**710,524**	657,661
		1,019,201	924,570
Total assets		**1,505,772**	996,043
EQUITY AND LIABILITIES			
Equity holders			
Share capital	*13*	**180,528**	137,050
Share premium	*13*	**745,086**	549,433
Reserves		**93,932**	42,823
Total equity		**1,019,546**	729,306
Non-current liabilities			
Deferred taxation liabilities		**736**	631
Convertible note	*12*	**172,008**	-
		172,744	631
Current liabilities			
Trade and other payables	*11*	**295,196**	256,469
Bank loan		**6,767**	7,243
Taxation payable		**11,519**	2,394
		313,482	266,106
Total liabilities		**486,226**	266,737
Total equity and liabilities		**1,505,772**	996,043

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

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

Significant event and transaction

On 10 January 2017, the Group entered into an acquisition agreement to acquire the entire shares of Most Wealth (Hong Kong) Limited ("Most Wealth"), a company wholly owned by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), being the director of Midland Holdings Limited (the "Acquisition"). Details of the Acquisition are set out in Note 14.

2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared under the historical cost convention as modified by the revaluation of investment properties, investment property under development and liability component of convertible note which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of amendments effective for the financial year ending 31 December 2017 and policies described below.

2 Basis of preparation and significant accounting policies (Continued)

(a) Investment property under development

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

(b) Convertible note

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

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

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

(c) Amendments effective in 2017

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

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

2 Basis of preparation and significant accounting policies (Continued)

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

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

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

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

3 Revenues and segment information

(a) Revenues

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

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 determined the operating segments based on these reports.

The Executive Directors assess the performance based on the nature of the Group's businesses which are principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops. Upon the completion of the Acquisition, a new operating segment namely "property investment" is formed. Prior period comparative segment information has been restated accordingly to conform with the presentation in the current period.

	Six months ended 30 June 2017				
	Property agency				
	Commercial properties *HK$'000*	Industrial properties *HK$'000*	Shops *HK$'000*	Property investment *HK$'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 non-current assets	**16**	**22**	**88**	**415,000**	**415,126**

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

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

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Service fee from a related party, corporate expenses, finance income, finance costs and taxation are not included in the segment results.

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.

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

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

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

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

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

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

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

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

Reportable segment liabilities are reconciled to total liabilities as follows:

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

4 Other income/(loss)

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

5 Finance costs

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

6 Taxation

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

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

7 Earnings/(loss) per share

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Profit/(loss) attributable to equity holders	**44,707**	(9,171)
Effect on interest expenses on convertible note	**2,541**	-
Profit/(loss) for the calculation of diluted earnings/(loss) per share	**47,248**	(9,171)

7 Earnings/(loss) per share (Continued)

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

	Six months ended 30 June	
	2017	2016 (Restated)
Weighted average number of shares for the calculation of basic earnings/(loss) per share (thousands) (Note)	**1,613,113**	1,370,500
Effect on conversion of convertible note (thousands)	**242,613**	-
Effect on conversion of share options (thousands)	**1,505**	-
Weighted average number of shares for the calculation of diluted earnings/(loss) per share (thousands)	**1,857,231**	1,370,500
Basic earnings/(loss) per share (HK cents)	**2.77**	(0.67)
Diluted earnings/(loss) per share (HK cents)	**2.54**	(0.67)

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

In calculating the diluted earnings/(loss) per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options and the convertible note. For the six months ended 30 June 2017, adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible note is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense.

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

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

8 Interim dividend

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

9 Investment property under development

Investment property under development is a property located at Nos. 33 and 35 Java Road, Hong Kong. It was acquired during the period (as detailed in note 14) and is expected to be used as serviced apartments and shops.

10 Trade and other receivables

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

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
Not yet due	**264,629**	228,122
Less than 30 days	**5,797**	8,824
31 to 60 days	**9,604**	2,455
61 to 90 days	**2,843**	4,637
91 to 180 days	**4,488**	726
Over 180 days	**1,008**	700
	288,369	245,464

11 Trade and other payables

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

12 Convertible note

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

13 Share capital and share premium

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

Note:

(a) The Group issued 4,347,826,086 shares (before the effect of share consolidation) on 22 March 2017 as part of the consideration of the Acquisition (Note 14). The ordinary shares issued have the same rights as the other shares in issue. Based on the closing share price of the Company on 22 March 2017 of HK$0.055 per share (before the effect of share consolidation), the fair value of the shares issued amounted to HK$239,131,000. The issuance of shares resulted in an increment in nominal value of HK$43,478,000 (HK$0.01 per share before the effect of share consolidation) and increase in share premium of HK$195,653,000.

(b) With the approval of the shareholders at an extraordinary general meeting held on 27 June 2017, every 10 issued and unissued ordinary shares of HK$0.01 each were consolidated into 1 share of HK$0.10 each in the share capital of the Company. The share consolidation was effective on 28 June 2017. The exercise prices of share options and the total number of shares to be issued upon exercise of the outstanding share options, and the conversion price of the convertible note of the Company are adjusted accordingly.

14 Acquisition of a subsidiary

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

Across-the-board recovery

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

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

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

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

Improvements in operation efficiency

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

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

OUTLOOK

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

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

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

Office sector outperforming

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

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

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

Position Strengthening

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

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

FINANCIAL REVIEW

Material Acquisition

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

Liquidity, Financial Resources and Funding

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

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

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

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

The Group's bank loan was secured by investment properties held by the Group of HK$66,500,000 (as at 31 December 2016: HK$64,400,000). As at 30 June 2017, the Group had unutilised borrowing facilities amounting to HK$15,000,000 (as at 31 December 2016: HK$15,000,000) from a bank. The Group's cash and bank balances are deposited in Hong Kong Dollars and the Group's bank loan is in Hong Kong Dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 30 June 2017, the gearing ratio of the Group was 17.5% (as at 31 December 2016: 1.0%). The gearing ratio is calculated on the basis of the Group's total bank loan and convertible note over the total equity of the Group. Increase in gearing ratio was due to the issue of convertible note for the Acquisition. The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 3.3 (as at 31 December 2016: 3.5). The return on equity of the Group, which is the ratio of profit/(loss) for the period over the total equity of the Group was 4.4% (six months ended 30 June 2016: -1.3%).

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

Capital Structure and Foreign Exchange Exposure

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

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

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

Contingent Liabilities

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

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

Employee information

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

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

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Interim Period (2016: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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.

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.

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 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 HKICPA.

PUBLICATION OF 2017 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandici.com.hk). The 2017 Interim Report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

By Order of the Board
Midland IC&I Limited
WONG Hon Shing, Daniel
Chief Executive Officer and Executive Director

Hong Kong, 29 August 2017

As at the date of this announcement, the Board comprises eight Directors, of which three are Executive Directors, namely Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; two are Non-Executive Directors, namely Mr. KAN Chung Nin, Tony and Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate); and three are Independent Non-Executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted.