



Midland IC&I Limited

美聯工商舖有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(股份代號 Stock code : 459)

無懼風雲變 勇攀新高峰

Embrace changes and achieve greatness

Interim Report 中期業績報告 2016

*For identification purpose only 僅供識別

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Directors

Ms. TANG Mei Lai, Metty *(Chairman)*
 Mr. TSANG Link Carl, Brian
*(with Mr. CHU Kuo Fai, Gordon
 as his alternate)*

Executive Directors

Ms. WONG Ching Yi, Angela
 Mr. WONG Hon Shing, Daniel
(Chief Executive Officer)

Independent Non-Executive Directors

Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric
 Mr. HO Kwan Tat, Ted

AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted *(Committee Chairman)*
 Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric

REMUNERATION COMMITTEE

Mr. HO Kwan Tat, Ted *(Committee Chairman)*
 Ms. TANG Mei Lai, Metty
 Mr. WONG Hon Shing, Daniel
 Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric

NOMINATION COMMITTEE

Ms. TANG Mei Lai, Metty *(Committee Chairman)*
 Mr. WONG Hon Shing, Daniel
 Mr. YING Wing Cheung, William
 Mr. SHA Pau, Eric
 Mr. HO Kwan Tat, Ted

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela
 Mr. WONG Hon Shing, Daniel

REGISTERED OFFICE

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman KY1-1111
 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1801A, 18th Floor
 Office Tower One, Grand Plaza
 625 & 639 Nathan Road, Mongkok
 Kowloon, Hong Kong

(new address with effect from 1 September 2016:

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

AUDITOR

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

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

CAYMAN ISLANDS LEGAL ADVISER

Conyers Dill & Pearman
 2901 One Exchange Square
 8 Connaught Place
 Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan 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
 Level 22, Hopewell Centre
 183 Queen's Road East
 Hong Kong

WEBSITE

www.midlandici.com.hk

STOCK CODE

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LETTER FROM CHIEF EXECUTIVE OFFICER

Business Review

For the six months ended 30 June 2016 (the "Interim Period"), Midland IC&I Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded consolidated net loss of approximately HK\$9,171,000, while revenue for the period fell by 19.9% to approximately HK\$231,041,000. During the corresponding period in 2015, the Group recorded consolidated net profit of approximately HK\$12,647,000. In the first half of the year, the Group's results were adversely affected by, among other factors, the significant drop in the non-residential property market sales activities in Hong Kong as compared with that in the corresponding period in the previous year.

A sharp contrast

Sales activity shrank significantly in the first six months. According to the figures from Land Registry, the value and volume of non-residential property sales registrations in Hong Kong recorded a year-on-year decline of 52% and 41% respectively in the first half of the year. Indeed the property market sentiment was buoyant in the second quarter of previous year when the exuberance of the stock market spilled over to the property sector. Then the property market turned sour when it was hit by a series of problems such as sharp correction in stock indices and the depreciation of Renminbi. And the property market consolidation which began in second half of last year persisted in the beginning of 2016 as crash in oil prices stoked another round of market fears.

The property market confidence was so poor that even the demand for low-budget items such as stratified shopping units or carparks weakened. Poor local economic performance did not help either. Hong Kong retail sales fell 16 months in a row, dampening the investment appetite for retail properties. In the first few months of this year, the non-residential sector was virtually frozen and sales of stratified units were rare. When the market entered the second quarter, sales activities increased. The shift in the sentiment was due to the stabilisation of macro-economic conditions which was supported by oil prices bottoming and mainland economy growing moderately.

Operating costs

High operating costs was also a challenge. Unlike the agency group specializing in residential sector, the Group's operations mainly occupy office space instead of retail shops. And office rents, outperforming overall market, have been in a steady uptrend in recent years and the Group's rental expenses increased as a result. However, the Group still strived hard in cost containing. For instance, advertising and promotion expenses fell 29.6%. Also the level of impairment of receivables dropped 72.8%. The reduction was due to a high comparative base as there was a transaction with consideration at above HK\$1 billion fell through during the first half of last year.

LETTER FROM CHIEF EXECUTIVE OFFICER (continued)

Outlook

The mild recovery which started in the second quarter is expected to continue in the near term. The worries of the hard-landing of mainland economy and sharp depreciation of Renminbi have waned. Despite short-term fluctuations, mainland economy is expected to show growth as the central government's policies will continue to provide stabilisations. The local economy still lacks growth momentum, but there are some positive signs. For example, the number of tourist arrivals to Hong Kong snapped the 13-month losing streak and registered a growth of 2.6% in July 2016. More encouragingly, the number of mainland tourists grew as well. It is too premature to conclude that the downtrend has reversed, but the worst may have been over.

Office sector is still expected to outperform. Buyers from mainland China continue to show strong interest in acquiring whole office block. Last month, One HarbourGate, an office tower in Hung Hom was bought for HK\$4.5 billion by a mainland buyer. Fueled by the positive sentiment, investment demand for prime office space will remain strong for quite some time. This sector will be further heated up if the Shenzhen-Hong Kong Stock Connect is launched within this year. Besides, the sales activities of the retail properties are expected to show mild growth. Bargain hunting is likely to take place as prices for some selected retail properties have corrected substantially and interest rates have remained unchanged so far this year. And transaction volume of retail properties is likely to rebound slightly in the second half.

The loosening of the monetary policies launched by Bank of England may have benefited the Hong Kong property market. But we have to stay vigilant on its development. After all, a series of macro-economic issues such as Euro-crisis, oil price crisis, the tightening measures by the government etc. posed serious threats to the property market in recent years. Market sentiment will take an abrupt turn if some unexpected events take place.

LETTER FROM CHIEF EXECUTIVE OFFICER *(continued)*

Outlook *(continued)*

Business initiatives

The overall business environment is very challenging due to the property-related policies and lackluster local and global economic performance. The Group is relatively positive on the office sector and will continue to strengthen its presence in this segment. In the first half of the year, the Group brokered some big-ticket sales transactions valued at above HK\$100 million. And the most remarkable one was an en-bloc transaction of an office building valued at around HK\$350 million. Moreover, the Group has carried some relocation exercises so as to contain rental expenses. The Group will consider diversification initiatives and new business opportunities.

In light of the challenging operating environment ahead, the Group will proactively explore new business initiatives with particular focus on opportunities related to or that may produce synergy with the existing principal activities of the Group; and pursue diversified investment strategies with objectives to create value for the Group and enhance shareholders' return. We shall actively work to manage and deploy financial resources towards those suitable business opportunities in support of the growth objectives of the Group over time.

Appreciation

I would like to take this opportunity to express my sincere gratitude to our shareholders and customers for their continuous support, and to the management and all staff members for their hard work and dedication throughout the period.

WONG Hon Shing, Daniel
Chief Executive Officer

Hong Kong, 25 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Funding

As at 30 June 2016, the Group had cash and bank balances of HK\$626,790,000 (as at 31 December 2015: HK\$675,291,000), whilst bank loan amounted to HK\$7,718,000 (as at 31 December 2015: HK\$8,188,000). The Group's bank loan was secured by investment properties held by the Group of HK\$59,500,000 (as at 31 December 2015: HK\$60,200,000) and with maturity profile set out as follows:

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|----------------------------------|--------------------------------------|--|
| Repayable | | |
| Within 1 year | 955 | 946 |
| After 1 year but within 2 years | 973 | 964 |
| After 2 years but within 5 years | 3,032 | 3,004 |
| After 5 years | 2,758 | 3,274 |
| | 7,718 | 8,188 |

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.

As at 30 June 2016, the Group had unutilised borrowing facilities amounting to HK\$15,000,000 (as at 31 December 2015: HK\$15,000,000) from a bank. The Group's cash and bank balances are denominated 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 2016, the gearing ratio of the Group was 1.1% (as at 31 December 2015: 1.2%). The gearing ratio is calculated on the basis of the Group's total bank loan 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 4.1 (as at 31 December 2015: 4.5). The return on equity of the Group, which is the ratio of (loss)/profit for the period over total equity of the Group, was -1.3% (six months ended 30 June 2015: 1.8%).

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Capital Structure and Foreign Exchange Exposure

During the Interim Period, there was no material change in the Group's capital structure. 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 2016, the Company executed corporate guarantee amounting to HK\$29,780,000 (as at 31 December 2015: 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 2016, HK\$7,718,000 of the banking facilities were utilised by a subsidiary (as at 31 December 2015: HK\$8,188,000).

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 2016, the Group employed 646 full-time employees (as at 31 December 2015: 738).

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 2016, 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 under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

| Name of Director | Nature of interest/ Capacity | Number of ordinary shares | Number of underlying shares | Total | Approximate percentage of the issued shares of the Company |
|-------------------------------|--|---------------------------|-----------------------------|------------|--|
| Mr. WONG Hon Shing, Daniel | Personal interest/ Beneficial owner | 20,000,000 | 15,000,000 (Note 1) | 35,000,000 | 0.26% |
| Mr. TSANG Link Carl, Brian | Personal interest/ Beneficial owner | - | 5,000,000 (Note 2) | 5,000,000 | 0.04% |
| Mr. YING Wing Cheung, William | Personal interest/ Beneficial owner | 3,000,000 | 5,000,000 (Note 3) | 8,000,000 | 0.06% |
| Mr. SHA Pau, Eric | Personal interest/ Beneficial owner | - | 5,000,000 (Note 4) | 5,000,000 | 0.04% |
| Mr. HO Kwan Tat, Ted | Personal interest/ Beneficial owner | - | 5,000,000 (Note 5) | 5,000,000 | 0.04% |

Notes:

- These underlying shares were held by Mr. WONG Hon Shing, Daniel by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Mr. TSANG Link Carl, Brian by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Mr. YING Wing Cheung, William by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Mr. SHA Pau, Eric by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Mr. HO Kwan Tat, Ted by virtue of the interests in the share options of the Company granted to him.
- Details of the share options granted by the Company to the above Directors are set out in the section headed "Share Option Scheme" in this interim report.

OTHER INFORMATION (continued)

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

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

| Name of associated corporation | Name of Director | Nature of interest/ Capacity | Number of ordinary shares | Number of underlying shares | Total | Approximate percentage of the issued shares of associated corporation |
|--|------------------------------|--|---------------------------|-----------------------------|-------------|---|
| Midland Holdings Limited ("Midland Holdings") | Ms. TANG Mei Lai, Metty | Family interest/ Interest of spouse | 185,830,144 (Note 7) | 7,209,160 (Note 8) | 193,039,304 | 26.88% |
| | | Personal interest/ Beneficial owner | - | 7,209,160 (Note 9) | | |
| Midland Holdings | Ms. WONG Ching Yi, Angela | Personal interest/ Beneficial owner | - | 7,209,160 (Note 10) | 7,209,160 | 1.00% |

Notes:

- These shares represent the shares held directly or indirectly by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), the spouse of Ms. TANG Mei Lai, Metty ("Ms. TANG"), as ultimate beneficial owner in the shares of Midland Holdings, the associated corporation of the Company.
- These underlying shares represent the interests in the share options of Midland Holdings held by Mr. WONG, the spouse of Ms. TANG, by virtue of the interests in the share options of Midland Holdings granted to him.
- These underlying shares were held by Ms. TANG by virtue of the interests in the share options of Midland Holdings granted to her.
- These underlying shares were held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options of Midland Holdings granted to her.

OTHER INFORMATION *(continued)*

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

Save as disclosed above, as at 30 June 2016, 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 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.

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

As at 30 June 2016, 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 under section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

| Name of substantial shareholder | Number of ordinary shares | Holding capacity/ Nature of interest | Approximate percentage of the issued shares of the Company |
|---|----------------------------------|---|---|
| Midland Holdings | 9,700,000,000 <i>(Note)</i> | Interest of controlled corporation/ Corporate interest | 70.78% |
| Valuewit Assets Limited ("Valuewit") | 9,700,000,000 <i>(Note)</i> | Beneficial owner/ Beneficial interest | 70.78% |

Note: Valuewit was an indirect wholly-owned subsidiary of Midland Holdings. Midland Holdings was deemed to be interested in these 9,700,000,000 shares held by Valuewit under the SFO.

OTHER INFORMATION *(continued)*

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

Save as disclosed above, as at 30 June 2016, 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 under section 336 of the SFO.

Share Option Scheme

At the Company's extraordinary general meeting held on 19 September 2008, a share option scheme of the Company (the "Share Option Scheme") was adopted by the Company and approved by its shareholders.

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

| Name of director | Date of grant | Exercise price per share HK\$ | Number of share options | | | | Balance outstanding as at 30 June 2016 | Exercisable period |
|---------------------------------|------------------|----------------------------------|--|-----------------------------------|--|-------------------------------------|--|--------------------------------------|
| | | | Balance outstanding as at 1 January 2016 | Granted during the Interim Period | Cancelled/lapsed during the Interim Period | Exercised during the Interim Period | | |
| Directors of the Company | | | | | | | | |
| Mr. WONG Hon Shing, Daniel | 10 December 2014 | 0.044 | 5,000,000 | - | - | - | 5,000,000 | 15 December 2014 to 14 December 2019 |
| | 10 December 2014 | 0.044 | 5,000,000 | - | - | - | 5,000,000 | 15 December 2015 to 14 December 2019 |
| | 10 December 2014 | 0.044 | 5,000,000 | - | - | - | 5,000,000 | 15 December 2016 to 14 December 2019 |
| Mr. TSANG Link Carl, Brian | 2 September 2011 | 0.053 | 5,000,000 | - | - | - | 5,000,000 | 1 October 2011 to 30 September 2016 |
| Mr. YING Wing Cheung, William | 2 September 2011 | 0.053 | 5,000,000 | - | - | - | 5,000,000 | 1 October 2011 to 30 September 2016 |
| Mr. SHA Pau, Eric | 2 September 2011 | 0.053 | 5,000,000 | - | - | - | 5,000,000 | 1 October 2011 to 30 September 2016 |
| Mr. HO Kwan Tat, Ted | 2 September 2011 | 0.053 | 5,000,000 | - | - | - | 5,000,000 | 1 October 2011 to 30 September 2016 |

OTHER INFORMATION (continued)

Share Option Scheme (continued)

| Name of director | Date of grant | Exercise price per share HK\$ | Number of share options | | | | Balance outstanding as at 30 June 2016 | Exercisable period |
|--------------------------------------|------------------|-------------------------------|--|-----------------------------------|--|-------------------------------------|--|--------------------------------------|
| | | | Balance outstanding as at 1 January 2016 | Granted during the Interim Period | Cancelled/lapsed during the Interim Period | Exercised during the Interim Period | | |
| Directors of Midland Holdings | | | | | | | | |
| Mr. WONG Tsz Wa, Pierre | 10 December 2014 | 0.044 | 30,000,000 | - | - | - | 30,000,000 | 15 December 2014 to 14 December 2019 |
| | 10 December 2014 | 0.044 | 30,000,000 | - | - | - | 30,000,000 | 15 December 2015 to 14 December 2019 |
| | 10 December 2014 | 0.044 | 30,000,000 | - | - | - | 30,000,000 | 15 December 2016 to 14 December 2019 |
| Mr. CHEUNG Kam Shing | 10 December 2014 | 0.044 | 5,000,000 | - | - | - | 5,000,000 | 15 December 2015 to 14 December 2019 |
| | 10 December 2014 | 0.044 | 5,000,000 | - | - | - | 5,000,000 | 15 December 2016 to 14 December 2019 |
| Ms. IP Kit Yee, Kitty | 10 December 2014 | 0.044 | 3,330,000 | - | - | - | 3,330,000 | 15 December 2014 to 14 December 2019 |
| | 10 December 2014 | 0.044 | 3,330,000 | - | - | - | 3,330,000 | 15 December 2015 to 14 December 2019 |
| | 10 December 2014 | 0.044 | 3,340,000 | - | - | - | 3,340,000 | 15 December 2016 to 14 December 2019 |
| Total | | | 145,000,000 | - | - | - | 145,000,000 | |

OTHER INFORMATION *(continued)*

Share Option Scheme *(continued)*

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

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

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

Interim Dividend

The board of Directors (the "Board") does not declare an interim dividend for the Interim Period (2015: Nil).

Review of Financial Statements

The audit committee of the Company (the "Audit Committee") comprises three Independent Non-Executive Directors with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Audit Committee has also reviewed this interim report.

Corporate Governance

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

Code of Conduct Regarding Securities Transactions by Directors

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2016

| | Note | Six months ended 30 June | |
|---|------|--------------------------|------------------|
| | | 2016 HK\$'000 | 2015 HK\$'000 |
| Revenues | 4 | 231,041 | 288,391 |
| Other (loss)/income | 5 | (691) | 3,677 |
| Staff costs | | (110,731) | (145,695) |
| Rebate incentives | | (76,311) | (52,347) |
| Advertising and promotion expenses | | (7,225) | (10,259) |
| Operating lease charges in respect of office and shop premises | | (20,672) | (17,159) |
| Impairment of receivables | | (8,492) | (31,264) |
| Depreciation expenses | | (2,083) | (2,386) |
| Other operating costs | | (14,445) | (18,775) |
| Operating (loss)/profit | | (9,609) | 14,183 |
| Finance income | | 1,080 | 1,229 |
| Finance costs | | (77) | (84) |
| (Loss)/profit before taxation | | (8,606) | 15,328 |
| Taxation | 6 | (565) | (2,681) |
| (Loss)/profit and total comprehensive (loss)/income for the period attributable to equity holders | | (9,171) | 12,647 |
| (Loss)/earnings per share | 8 | HK cents | HK cents |
| Basic | | (0.07) | 0.09 |
| Diluted | | (0.07) | 0.09 |

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2016

| | Note | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|-------------------------------|------|--------------------------------------|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | | 5,200 | 7,169 |
| Investment properties | 9 | 59,500 | 60,200 |
| Deferred taxation assets | | 2,807 | 1,934 |
| | | 67,507 | 69,303 |
| Current assets | | | |
| Trade and other receivables | 10 | 210,854 | 146,200 |
| Tax recoverable | | 2,846 | 1,876 |
| Cash and bank balances | | 626,790 | 675,291 |
| | | 840,490 | 823,367 |
| Total assets | | 907,997 | 892,670 |
| EQUITY AND LIABILITIES | | | |
| Equity holders | | | |
| Share capital | 11 | 137,050 | 137,050 |
| Share premium | | 549,433 | 549,433 |
| Reserves | | 15,358 | 24,318 |
| Total equity | | 701,841 | 710,801 |

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

As at 30 June 2016

| | Note | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|-------------------------------------|------|--------------------------------------|--|
| Non-current liabilities | | | |
| Deferred taxation liabilities | | 633 | 540 |
| Current liabilities | | | |
| Trade and other payables | 12 | 195,490 | 173,141 |
| Bank loan | | 7,718 | 8,188 |
| Taxation payable | | 2,315 | – |
| | | 205,523 | 181,329 |
| Total liabilities | | 206,156 | 181,869 |
| Total equity and liabilities | | 907,997 | 892,670 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2016

| | Share capital HK\$'000 | Share premium HK\$'000 | Reserves HK\$'000 | Total equity HK\$'000 |
|---|------------------------------|------------------------------|----------------------|-----------------------------|
| At 1 January 2016 | 137,050 | 549,433 | 24,318 | 710,801 |
| Comprehensive loss | | | | |
| Loss for the period | - | - | (9,171) | (9,171) |
| Transaction with owners | | | | |
| Employee share options scheme - value of employee services | - | - | 211 | 211 |
| At 30 June 2016 | 137,050 | 549,433 | 15,358 | 701,841 |
| At 1 January 2015 | 137,000 | 549,168 | 20,826 | 706,994 |
| Comprehensive income | | | | |
| Profit for the period | - | - | 12,647 | 12,647 |
| Transaction with owners | | | | |
| Employee share options scheme - value of employee services | - | - | 608 | 608 |
| At 30 June 2015 | 137,000 | 549,168 | 34,081 | 720,249 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2016

| | Six months ended 30 June | |
|--|---------------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Net cash used in operating activities | (48,997) | (1,223) |
| Net cash generated from/(used in) investing activities | 966 | (1,720) |
| Net cash used in financing activity – Repayment of borrowings | (470) | (463) |
| Net decrease in cash and cash equivalents | (48,501) | (3,406) |
| Cash and cash equivalents at 1 January | 675,291 | 640,214 |
| Cash and cash equivalents at 30 June | 626,790 | 636,808 |

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

1 General information

The Company is a limited liability company incorporated in the Cayman Islands and listed on the main board of the Stock Exchange. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

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

The ultimate holding company is Midland Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong.

This unaudited condensed consolidated interim financial information has been approved by the Board on 25 August 2016.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2016 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 HKICPA and the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 Significant accounting policies

The accounting policies adopted 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 2015 except that the Group has adopted the following revised standards and amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31 December 2016.

(a) Standards and amendments effective in 2016

| | |
|---------------------------------|--|
| HKAS 1 (Amendment) | Disclosure Initiative |
| HKAS 16 and HKAS 38 (Amendment) | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Annual Improvements Project | Annual Improvements 2012-2014 Cycle |
| HKFRS 14 | Regulatory Deferral Accounts |

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**3 Significant accounting policies** (continued)*(a) Standards and amendments effective in 2016* (continued)

The adoption of the above new standards and 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.

(b) Standards which are not yet effective

The following new standards have been issued but are not effective for 2016 and have not been early adopted by the Group:

| | | Effective for accounting periods beginning on or after |
|----------|--|--|
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |

4 Revenues and segment information*(a) Revenues*

| | Six months ended 30 June | |
|--|---------------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Agency fee | 229,889 | 286,654 |
| Other revenues | | |
| Rental income from a fellow subsidiary | 1,132 | 1,064 |
| Rental income from third parties | 20 | 673 |
| Total revenues | 231,041 | 288,391 |

(b) Segment information

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

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

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

| | Six months ended 30 June 2016 | | | |
|----------------------------------|-----------------------------------|-----------------------------------|-------------------|-------------------|
| | Property agency | | | |
| | Commercial properties HK\$'000 | Industrial properties HK\$'000 | Shops HK\$'000 | Total HK\$'000 |
| Total revenues | 100,451 | 59,428 | 78,080 | 237,959 |
| Inter-segment revenues | (3,169) | (3,038) | (1,863) | (8,070) |
| Revenues from external customers | 97,282 | 56,390 | 76,217 | 229,889 |
| Segment results | 10,840 | (196) | (5,932) | 4,712 |
| 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 |

| | Six months ended 30 June 2015 | | | |
|--|-----------------------------------|-----------------------------------|-------------------|-------------------|
| | Property agency | | | |
| | Commercial properties HK\$'000 | Industrial properties HK\$'000 | Shops HK\$'000 | Total HK\$'000 |
| Total revenues | 125,320 | 62,405 | 111,367 | 299,092 |
| Inter-segment revenues | (7,087) | (1,804) | (3,547) | (12,438) |
| Revenues from external customers | 118,233 | 60,601 | 107,820 | 286,654 |
| Segment results | 26,444 | 4,820 | (7,442) | 23,822 |
| Impairment/(reversal of impairment) of receivables | 2,371 | (716) | 29,609 | 31,264 |
| Depreciation expenses | 855 | 610 | 813 | 2,278 |
| Additions to non-current assets | 386 | 289 | 2,266 | 2,941 |

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

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Service fee income from a fellow subsidiary, corporate expenses, fair value (loss)/gain on investment properties, 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 consolidated statement of comprehensive income.

Reportable revenues from external customers are reconciled to total revenues as follows:

| | Six months ended 30 June | |
|--|---------------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Revenues from external customers for reportable segments | 229,889 | 286,654 |
| Rental income from a fellow subsidiary | 1,132 | 1,064 |
| Rental income from third parties | 20 | 673 |
| Total revenues per consolidated statement of comprehensive income | 231,041 | 288,391 |

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

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Segment results for reportable segments | 4,712 | 23,822 |
| Service fee income from a fellow subsidiary | - | 653 |
| Corporate expenses | (13,621) | (13,142) |
| Fair value (loss)/gain on investment properties | (700) | 2,850 |
| Finance income | 1,080 | 1,229 |
| Finance costs | (77) | (84) |
| (Loss)/profit before taxation per consolidated statement of comprehensive income | (8,606) | 15,328 |

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

Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, which are managed on a central basis. The following is total segment assets and liabilities by reportable segment:

| | As at 30 June 2016 | | | |
|---------------------|-----------------------------------|-----------------------------------|-------------------|-------------------|
| | Property agency | | | |
| | Commercial properties HK\$'000 | Industrial properties HK\$'000 | Shops HK\$'000 | Total HK\$'000 |
| Segment assets | 78,464 | 55,199 | 83,424 | 217,087 |
| Segment liabilities | 62,746 | 52,607 | 67,416 | 182,769 |

| | As at 31 December 2015 | | | |
|---------------------|-----------------------------------|-----------------------------------|-------------------|-------------------|
| | Property agency | | | |
| | Commercial properties HK\$'000 | Industrial properties HK\$'000 | Shops HK\$'000 | Total HK\$'000 |
| Segment assets | 53,688 | 32,029 | 68,001 | 153,718 |
| Segment liabilities | 69,348 | 30,225 | 57,107 | 156,680 |

Reportable segment assets are reconciled to total assets as follows:

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|---|--------------------------------------|--|
| Segment assets | 217,087 | 153,718 |
| Corporate assets | 688,103 | 737,018 |
| Deferred taxation assets | 2,807 | 1,934 |
| Total assets per consolidated balance sheet | 907,997 | 892,670 |

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|---|--|--|
| Segment liabilities | 182,769 | 156,680 |
| Corporate liabilities | 22,754 | 24,649 |
| Deferred taxation liabilities | 633 | 540 |
| Total liabilities per consolidated balance sheet | 206,156 | 181,869 |

5 Other (loss)/income

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Service fee income from a fellow subsidiary (Note 15(a)) | – | 653 |
| Fair value (loss)/gain on investment properties | (700) | 2,850 |
| Others | 9 | 174 |
| | (691) | 3,677 |

6 Taxation

| | Six months ended 30 June | |
|-----------------------|---------------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Current | | |
| Hong Kong profits tax | 1,345 | 2,652 |
| Deferred | (780) | 29 |
| | 565 | 2,681 |

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profit for the Interim Period.

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**7 Dividend**

The Board does not declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

8 (Loss)/earnings per share

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

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| (Loss)/profit attributable to equity holders | (9,171) | 12,647 |
| Number of shares for calculation of basic (loss)/earnings per share (thousands) | 13,705,000 | 13,700,000 |
| Effect on conversion of share options (thousands) | – | 10,618 |
| Number of shares for calculation of diluted (loss)/earnings per share (thousands) | 13,705,000 | 13,710,618 |
| Basic (loss)/earnings per share (HK cents) | (0.07) | 0.09 |
| Diluted (loss)/earnings per share (HK cents) | (0.07) | 0.09 |

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

In calculating the diluted (loss)/earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. 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 is determined. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted (loss)/earnings per share for the period ended 30 June 2016 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**9 Investment properties**

Investment properties with net book value of HK\$59,500,000 (as at 31 December 2015: HK\$60,200,000) were pledged as security for the Group's bank loan.

As at 30 June 2016, valuations were undertaken by Midland Surveyors Limited, a fellow subsidiary and a qualified professional valuer with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' 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.

10 Trade and other receivables

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|---|--|--|
| Trade receivables | 221,608 | 156,980 |
| Less: provision for impairment | (33,332) | (31,481) |
| Trade receivables, net | 188,276 | 125,499 |
| Other receivables, prepayments and deposits | 22,578 | 20,701 |
| | 210,854 | 146,200 |

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

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|-------------------|--|--|
| Not yet due | 174,698 | 114,038 |
| Less than 30 days | 5,107 | 4,379 |
| 31 to 60 days | 3,154 | 1,451 |
| 61 to 90 days | 796 | 3,936 |
| 91 to 180 days | 2,352 | 928 |
| Over 180 days | 2,169 | 767 |
| | 188,276 | 125,499 |

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

11 Share capital

| | Number of shares (HK\$0.01 each) | Nominal value HK\$'000 |
|---|--|---------------------------|
| Issued and fully paid: | | |
| As at 31 December 2015 and 30 June 2016 | 13,705,000,000 | 137,050 |

12 Trade and other payables

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|---------------------------------|--------------------------------------|--|
| Commissions and rebate payables | 167,854 | 141,398 |
| Other payables and accruals | 27,636 | 31,743 |
| | 195,490 | 173,141 |

Trade payables include mainly the commissions or 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\$11,923,000 (as at 31 December 2015: HK\$27,547,000) which are due for payment within 30 days after period end, and all the remaining commissions and rebate payables are not yet due.

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**13 Capital commitments**

The Group did not have any significant capital commitments as at 30 June 2016 and 31 December 2015.

14 Contingent liabilities

As at 30 June 2016, the Company executed corporate guarantee amounting to HK\$29,780,000 (as at 31 December 2015: 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 2016, HK\$7,718,000 of the banking facilities were utilised by a subsidiary (as at 31 December 2015: HK\$8,188,000).

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.

15 Significant related party transactions

The Group had the following significant transactions with related parties during the period and balances with related parties at the end of the period:

(a) Transactions with related parties

| | Note | Six months ended 30 June | |
|--|-------|--------------------------|------------------|
| | | 2016 HK\$'000 | 2015 HK\$'000 |
| Agency fee income | | | |
| from fellow subsidiaries | (i) | 6,851 | 13,977 |
| Rental income in respect of office premise from a fellow subsidiary | (ii) | 1,132 | 1,064 |
| Service fee income from a fellow subsidiary | (iii) | – | 653 |
| Rebate incentives to fellow subsidiaries | (iv) | (52,642) | (45,428) |
| Operating lease rental expense to related companies | (v) | (1,662) | (1,578) |

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED) (continued)**15 Significant related party transactions** (continued)*(a) Transactions with related parties (continued)*

Notes:

- (i) Agency fee income from fellow subsidiaries represents agency fee for property agency transactions referred to fellow subsidiaries on terms mutually agreed by both parties.
- (ii) The Group entered into lease agreements with a fellow subsidiary on terms mutually agreed by both parties.
- (iii) During the period ended 30 June 2015, service fee income from a fellow subsidiary represented service fee for assistance provided by the Group in procuring the issuance of cashier's orders to prospective purchasers of primary residential properties referred by a fellow subsidiary at service fee charged on terms mutually agreed by both parties.
- (iv) Rebate incentives to fellow subsidiaries represents commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.
- (v) The Group entered into certain operating lease agreements with certain related companies, of which the beneficial owner is a director of the ultimate holding company, on terms mutually agreed by both parties.

During the Interim Period, the Group shared administrative and corporate services on a cost basis with an aggregate amount of HK\$6,208,000 (six months ended 30 June 2015: HK\$5,654,000) with its fellow subsidiaries.

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

15 Significant related party transactions (continued)

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

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|--------------------------------------|--|--|
| Amounts due from fellow subsidiaries | 18,651 | 18,107 |
| Amounts due to fellow subsidiaries | (67,222) | (39,201) |

(c) *Key management compensation*

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Fees, salaries, allowances and incentives | 570 | 1,960 |
| Retirement benefit costs | 10 | 10 |
| Share-based benefits | 24 | 70 |
| | 604 | 2,040 |

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



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