Midland Holdings Limited
美聯集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1200)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the "Board") of Midland Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018 (the "Interim Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

*For identification purpose only

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
	Note	2018	2017
		HK$'000	*HK$'000*
Dividends	*8*	**22,977**	-
Earnings per share	*9*	***HK cents***	*HK cents*
Basic		**20.95**	16.11
Diluted		**20.60**	15.95

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2018

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

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)
AS AT 30 JUNE 2018

	Note	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**71,805**	71,805
Share premium		**223,505**	223,505
Reserves		**1,274,735**	1,066,469
Total equity		**1,570,045**	1,361,779
Non-current liabilities			
Deferred taxation liabilities		**3,879**	3,846
Current liabilities			
Trade and other payables	*11*	**3,025,964**	2,626,842
Borrowings		**291,850**	359,900
Taxation payable		**29,706**	57,824
		3,347,520	3,044,566
Total liabilities		**3,351,399**	3,048,412
Total equity and liabilities		**4,921,444**	4,410,191

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

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

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

This unaudited condensed consolidated interim financial information has been approved by the Board on 29 August 2018.

2 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared under the historical cost convention as modified by the revaluation of investment properties and financial assets at fair value through other comprehensive income, which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), and HKASs and Interpretations ("Ints") (collectively "new HKFRSs").

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

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

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

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

2 Basis of preparation (continued)

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

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

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

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

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

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

Note:
HKFRS 16, "Leases"

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

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

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

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

2 Basis of preparation (continued)

(c) Estimates

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The following new significant judgement is made by the management in preparing this condensed consolidated interim financial information. Other significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

Variable consideration

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

3. Changes in accounting policies upon adoption of new HKFRSs

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

(a) HKFRS 9, "Financial Instruments"

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

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

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

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

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

Classification of financial assets and financial liabilities

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

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

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

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

Impairment under ECL model

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

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

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

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

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

Prior to the adoption of HKFRS15, the Group estimated impairment of the unprovided trade receivable on a collective basis by considering the aging profile of trade receivables and historical experience.

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

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

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

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

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

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

Impact on the consolidated balance sheet:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 Revenues and segment information

(a) Revenues

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

4 Revenues and segment information (continued)

(b) Segment information

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

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

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2017			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total revenues	2,706,715	61,608	13,511	2,781,834
Inter-segment revenues	-	-	(3,816)	(3,816)
Revenues from external customers	2,706,715	61,608	9,695	2,778,018
Segment results	135,983	9,865	21,430	167,278
Impairment of receivables	(32,698)	(1,353)	-	(34,051)
Depreciation and amortisation costs	(20,596)	(1,900)	(360)	(22,856)
Share of results of joint ventures	-	-	13,703	13,703
Share of results of associates	-	16,660	-	16,660
Fair value gain on investment properties	-	-	2,604	2,604
Additions to property and equipment	21,435	-	40	21,475

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, release of investment revaluation reserve upon disposal of available-for-sale financial assets, gain on dilution of equity interests in associates, finance income, finance costs and taxation are not included in the segment results.

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

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

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

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, available-for-sale financial assets and financial assets at fair value through other comprehensive income, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reporting segments:

	As at 30 June 2018			
	Property agency			
	Residential properties	**Commercial and industrial properties and shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**3,825,341**	**429,793**	**144,740**	**4,399,874**
Segment assets include:				
Interests in joint ventures	**-**	**-**	**31,755**	**31,755**
Interests in associates	**-**	**377,239**	**-**	**377,239**
Segment liabilities	**2,949,986**	**60,227**	**20,916**	**3,031,129**

4 Revenues and segment information (continued)

(b) Segment information (continued)

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

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2018 ***HK$'000***	As at 31 December 2017 *HK$'000*
Segment assets	**4,399,874**	3,851,221
Corporate assets	**501,962**	532,510
Deferred taxation assets	**12,976**	19,432
Available-for-sale financial assets	**-**	7,028
Financial assets at fair value through other comprehensive income	**6,632**	-
Total assets per consolidated balance sheet	**4,921,444**	4,410,191

Reportable segment liabilities are reconciled to total liabilities as follows:

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

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

Revenues are attributed to locations where the transactions took place.

5 Other income

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

Note:

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

6 Operating profit

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

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

7 Taxation

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

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

8 Dividends

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

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

9 Earnings per share

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

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

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

9 Earnings per share (continued)

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

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 completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is pleased to announce that for the Interim Period, it recorded a revenue of approximately HK$2,803,421,000, while the consolidated net profit attributable to equity holders rose from approximately HK$115,667,000 by 30% to approximately HK$150,408,000.

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

Secondary properties led the market

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

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

Fully seizing the market opportunities

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

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

Enhance competitiveness and Embrace the secondary market

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

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

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

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

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

OUTLOOK

Hong Kong's bright economic outlook despite uncertain global environments

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

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

Cautiously optimistic in the second half

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

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

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

Leverage on the opportunities provided by the Greater Bay Area

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

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

FINANCIAL REVIEW

Liquidity and financial resources

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

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

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

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

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

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

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

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

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

Contingent liabilities

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

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

Employee information

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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 2018 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.midland.com.hk). The 2018 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 express my sincere gratitude to all the directors and staff for their contributions, and take this opportunity to thank all shareholders and customers for their continuous support to the Group. We will strive to provide quality services and build a better tomorrow for the Group.

By order of the Board
Midland Holdings Limited
WONG Kin Yip, Freddie
Chairman

Hong Kong, 29 August 2018

As at the date of this announcement, the Board comprises eight Directors, of which four are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. WONG Tsz Wa, Pierre and Mr. CHEUNG Kam Shing; one is Non-Executive Director, namely Mr. WONG Wing Cheung Dennis; and three are Independent Non-Executive Directors, namely Mr. HO Kwan Tat, Ted, Mr. SUN Tak Chiu and Mr. WONG San.