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INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “Board”) of Midland Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2019 (the “Interim Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
	Note	2019 HK\$'000	2018 HK\$'000
Revenues	4(a)	2,896,633	2,803,421
Other income	5	2,731	4,149
Staff costs		(1,403,131)	(1,494,462)
Rebate incentives		(827,982)	(629,241)
Advertising and promotion expenses		(25,021)	(21,385)
Operating lease charges in respect of office and shop premises		(31,015)	(343,750)
Amortisation of right-of-use assets (lease)		(319,081)	-
Depreciation and amortisation of property and equipment		(25,802)	(27,505)
Net impairment loss on financial assets		(11,602)	(11,832)
Other operating costs		(136,523)	(126,027)
Operating profit	6	119,207	153,368
Finance income		317	194
Interest on bank loans		(6,063)	(5,581)
Interest on lease liabilities		(13,584)	-
Share of results of joint ventures		11,889	13,967
Share of results of associates		7,097	16,884
Profit before taxation		118,863	178,832
Taxation	7	(25,266)	(28,424)
Profit for the period attributable to equity holders		93,597	150,408

*For identification purpose only

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	<i>Note</i>	Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
Dividends	8	-	22,977
		<u><u> </u></u>	<u><u> </u></u>
Earnings per share	9	HK cents	HK cents
Basic		13.03	20.95
Diluted		13.02	20.60
		<u><u> </u></u>	<u><u> </u></u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Profit for the period attributable to equity holders	93,597	150,408
Other comprehensive (loss)/ income		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(1,476)	1,287
Total comprehensive income for the period attributable to equity holders, net of tax	92,121	151,695

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2019

	<i>Note</i>	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
ASSETS			
Non-current assets			
Property and equipment		130,766	136,518
Right-of-use assets		670,266	-
Investment properties		91,034	91,160
Land use rights		-	1,072
Interests in joint ventures		29,998	45,637
Interests in associates		382,037	376,650
Financial assets at fair value through other comprehensive income		4,956	5,635
Deferred tax assets		12,479	17,093
Loan receivables	11	3,278	4,425
		1,324,814	678,190
		-----	-----
Current assets			
Trade and other receivables	10	3,390,631	2,907,556
Taxation recoverable		9,807	27,102
Loan receivables	11	346	38,758
Short-term bank deposits		2,296	4,584
Cash and cash equivalents		1,187,375	937,706
		4,590,455	3,915,706
		=====	=====
Total assets		5,915,269	4,593,896
		=====	=====

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)
AS AT 30 JUNE 2019

	<i>Note</i>	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital		71,805	71,805
Share premium		223,505	223,505
Reserves		1,189,856	1,160,788
Total equity		1,485,166	1,456,098
Non-current liabilities			
Deferred tax liabilities		5,085	3,980
Lease liabilities		221,153	-
		226,238	3,980
Current liabilities			
Trade and other payables	12	3,206,119	2,874,810
Borrowings		484,900	255,500
Lease liabilities		507,985	-
Taxation payable		4,861	3,508
		4,203,865	3,133,818
Total liabilities		4,430,103	3,137,798
Total equity and liabilities		5,915,269	4,593,896

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

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 was approved by the Board on 28 August 2019.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 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 unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, 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 2018, except for the adoption of the new or amended HKFRS, and HKASs and Interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2019.

Estimates

The preparation of this unaudited 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. Significant judgements made by the 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 2018 except for the one disclosed in note 3(v) related to the adoption of HKFRS 16.

2 Basis of preparation (continued)

(a) New standards, interpretation and amendments effective in 2019

HKFRS 16 “Leases” is mandatory for the financial year beginning 1 January 2019 and the impacts of the adoption of this new HKFRS is disclosed in note 3.

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

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

The Group has not early applied the new and amended standards and interpretations that have been issued but not yet effective. The adoption of these are not expected to have a material impact on the unaudited interim results of the Group.

3 Changes in accounting policies upon adoption of new HKFRS

This note discloses the new accounting policies of HKFRS 16 “Leases” that have been applied from 1 January 2019 and explains the impact of the adoption on the Group’s unaudited interim financial statements.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative impact of the adoption as an adjustment to the retained earnings as of 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rates applied to the lease liabilities in relation to leases in Hong Kong, the PRC and Macau on 1 January 2019 were 3.7%, 5.4% and 3.7% respectively. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. The recognised right-of-use assets of the Group relate to properties leases.

Land use rights previously presented as a separate item on the consolidated balance sheet is grouped as part of right-of-use assets with effect from 1 January 2019.

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

(i) Adjustments recognised on adoption of HKFRS 16 (continued)

The following table shows the impact on each individual line item. Line items that were not affected by the changes have not been included.

Condensed consolidated balance sheet (extract)

	As at 31 December 2018 As originally presented HK\$'000	Impact on initial adoption of HKFRS 16 HK\$'000	As at 1 January 2019 As restated HK\$'000
Non-current assets			
Right-of-use assets	-	738,987	738,987
Land use rights	1,072	(1,072)	-
Interests in associates	376,650	(1,710)	374,940
Non-current liabilities			
Lease liabilities	-	271,657	271,657
Current liabilities			
Lease liabilities	-	527,601	527,601
Equity			
Retained earnings	1,090,344	(63,053)	1,027,291

(ii) Impact on segment disclosure

Segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Right-of-use assets included in segment assets HK\$'000	Lease liabilities included in segment liabilities HK\$'000
Property agency – Residential properties	664,995	723,200
Property agency – Commercial and industrial properties and shops	5,046	5,643
Others	225	295
	<u>670,266</u>	<u>729,138</u>

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

(iii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

(iv) Accounting policies

The Group leases various properties including offices and shop premises. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of HKFRS 16, leases of property, plant and equipment were classified as either finance or operating leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to condensed consolidated income statement on a straight-line basis over the period of the lease. Commitments under operating leases for future periods were not recognised by the Group as liabilities.

Under HKFRS 16, leases are recognised as a right-of-use asset and the corresponding liabilities at the dates at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

(iv) Accounting policies (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

(v) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
- Agency fee	2,887,793	2,793,033
- Immigration consultancy services	4,094	7,300
- Web advertising	108	110
- Other services	1,986	1,569
	<u>2,893,981</u>	<u>2,802,012</u>
Revenues from other sources		
- Rental income	1,296	1,409
- Interest income from loan receivables	1,356	-
	<u>2,896,633</u>	<u>2,803,421</u>

(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, money lending services and mortgage referral services.

4 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2019			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	2,836,868	50,925	12,671	2,900,464
Inter-segment revenues	-	-	(3,831)	(3,831)
Revenues from external customers	2,836,868	50,925	8,840	2,896,633
Timing of revenue recognition				
- At a point in time	2,836,868	50,925	1,986	2,889,779
- Over time	-	-	4,202	4,202
Rental income	-	-	1,296	1,296
Interest income from loan receivables	-	-	1,356	1,356
	2,836,868	50,925	8,840	2,896,633
Segment results	129,420	5,403	15,929	150,752
Amortisation of right-of-use assets (lease)	(317,149)	(1,828)	(104)	(319,081)
Depreciation and amortisation of property and equipment	(24,918)	(306)	(345)	(25,569)
Net impairment loss on financial assets	(11,348)	(254)	-	(11,602)
Share of results of joint ventures	-	-	11,889	11,889
Share of results of associates	-	7,097	-	7,097
Fair value loss on investment properties	-	-	(131)	(131)
Additions to property and equipment	24,690	270	3	24,963

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2018			
	Property agency		Others HK\$'000	Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops 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
Timing of revenue recognition				
- At a point in time	2,747,799	45,234	1,569	2,794,602
- Over time	-	-	7,410	7,410
Rental income	-	-	1,409	1,409
	2,747,799	45,234	10,388	2,803,421
Segment results	178,126	12,973	24,585	215,684
Depreciation and amortisation of property and equipment	(25,895)	(1,027)	(351)	(27,273)
Net impairment loss on financial assets	(11,680)	(152)	-	(11,832)
Share of results of joint ventures	-	-	13,967	13,967
Share of results of associates	-	16,884	-	16,884
Fair value gains on investment properties	-	-	1,930	1,930
Additions to property and equipment	20,537	258	8	20,803

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, finance income, interest on bank loans 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	
	2019	2018
	HK\$'000	HK\$'000
Segment results for reportable segments	150,752	215,684
Corporate expenses	(26,143)	(31,465)
Finance income	317	194
Interest on bank loans	(6,063)	(5,581)
Profit before taxation per consolidated income statement	118,863	178,832

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation 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 2019			
	Property agency			
	Residential properties	Commercial and industrial properties and shops	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	4,899,172	454,302	148,726	5,502,200
Segment assets include:				
Interests in joint ventures	-	-	29,998	29,998
Interests in associates	-	382,037	-	382,037
Segment liabilities	3,854,692	63,242	20,553	3,938,487

4 Revenues and segment information (continued)

(b) Segment information (continued)

	As at 31 December 2018			
	Property agency			
	Residential properties <i>HK\$'000</i>	Commercial and industrial properties and shops <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>3,500,952</u>	<u>415,366</u>	<u>206,475</u>	<u>4,122,793</u>
Segment assets include:				
Interests in joint ventures	-	-	45,637	45,637
Interests in associates	<u>-</u>	<u>376,650</u>	<u>-</u>	<u>376,650</u>
Segment liabilities	<u>2,802,266</u>	<u>49,326</u>	<u>20,826</u>	<u>2,872,418</u>

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Segment assets	5,502,200	4,122,793
Corporate assets	395,634	448,375
Deferred tax assets	12,479	17,093
Financial assets at fair value through other comprehensive income	4,956	5,635
Total assets per consolidated balance sheet	<u>5,915,269</u>	<u>4,593,896</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Segment liabilities	3,938,487	2,872,418
Corporate liabilities	486,531	261,400
Deferred tax liabilities	5,085	3,980
Total liabilities per consolidated balance sheet	<u>4,430,103</u>	<u>3,137,798</u>

4 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Revenues from external customers		
Hong Kong and Macau	2,447,729	2,378,445
PRC	448,904	424,976
	<u>2,896,633</u>	<u>2,803,421</u>

Revenues are attributed to the locations where the transactions took place.

5 Other income

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Fair value (loss)/ gains on investment properties	(131)	1,930
Others	2,862	2,219
	<u>2,731</u>	<u>4,149</u>

6 Operating profit

Operating profit is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Loss on disposal of property and equipment	1	658
Net foreign exchange losses	17	322
	<u>17</u>	<u>322</u>

7 Taxation

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	19,512	21,879
Overseas	35	56
Deferred taxation	5,719	6,489
	<u>25,266</u>	<u>28,424</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 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	
	2019	2018
	HK\$'000	HK\$'000
Interim dividend of nil per share (six months ended 30 June 2018: HK\$0.032 per share)	-	22,977

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: HK\$0.032 per share).

9 Earnings per share

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Profit attributable to equity holders for the calculation of basic earnings per share	93,597	150,408
Adjustment on the effect of dilutive events of associates	(77)	(2,481)
Profit attributable to equity holders for the calculation of diluted earnings per share	<u>93,520</u>	<u>147,927</u>
Number of shares for the calculation of basic and diluted earnings per share (thousands)	<u>718,046</u>	<u>718,046</u>
Basic earnings per share (HK cents)	<u>13.03</u>	<u>20.95</u>
Diluted earnings per share (HK cents)	<u>13.02</u>	<u>20.60</u>

9 Earnings per share (continued)

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.

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 convertible note of its 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 convertible note of the associates do 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 2019 HK\$'000	As at 31 December 2018 HK\$'000
Current (not yet due)	2,908,268	2,481,663
Less than 30 days past due	56,479	38,453
31 to 60 days past due	25,756	14,331
61 to 90 days past due	11,816	4,029
More than 90 days past due	7,948	9,031
	<u>3,010,267</u>	<u>2,547,507</u>

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

11 Loan receivables

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

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Current	346	38,758
Over 1 year but less than 3 years	3,278	4,425
	<u>3,624</u>	<u>43,183</u>

12 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\$403,539,000 (as at 31 December 2018: HK\$373,718,000) 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 announces that for the six months ended 30 June 2019, it recorded a revenue of approximately HK\$2,897 million, representing a mild increase of 3.3% as compared with the corresponding period of 2018. The net profit attributable to equity holders dropped from approximately HK\$150 million by 37.8% to approximately HK\$94 million.

During the period, the Group's overall sales performance aligned with expectation, with the growth in revenue in line with the overall market. However, the results of the Group were affected by the keen competitive environment in Hong Kong, which led to an increase in rental expenditures and rebate expenses.

Optimistic market sentiments at the beginning of 2019

After the consolidation taking place in the second half of 2018, the residential market started to revive in the beginning of 2019. As the concerns for trade disputes eased off and the risk of interest rate hikes subsided in the beginning of the year, the overall residential market in Hong Kong turned active again. In the first half of 2019, the registration volume and value for local residential property increased as compared with that in the second half of last year. But as compared with the corresponding period in 2018, the registration volume and value of local residential property stayed virtually flat.

Filled with the positive market sentiments at the beginning of 2019, the property market staged a short-lived recovery, and the primary residential market outperformed. It was noteworthy that the developers adjusted their sales strategy in view of the government's imposition of vacancy tax on first-hand private residential units. Developers focused on clearing inventories, driving down the volume of new launches. Market sentiments reached a new high in early May this year when 500 units of Montara, a new project in Tseung Kwan O, were sold out in one day. According to Land Registry's figures, sales of first-hand residential units increased by 63% to 12,539 units in the first six months of 2019 as compared with the corresponding period in 2018, and representing about 80% of that for the full year of 2018. Transaction volume of the secondary units fell by 16%, however, property prices recovered most of the loss in the second half of 2018.

Trade war concerns rekindled

However, the concerns for trade war rekindled when the US and China failed to reach a deal at the eleventh round of trade talks in early May and the US raised the tariffs on US\$200 billion worth of Chinese goods from 10% to 25%. The property market began to slow down in June, and coupled with the tense social environment, the property market suffered a new round of blow.

Effective use of resources to maintain competitive edge

Given the keen market competition, the Hong Kong business environment has become increasingly challenging. The Group has been actively improving overall efficiency to maintain its competitiveness. In the first six months of 2019, sales volume in the primary sector increased significantly, driving up rebate expenses. Through measures to generate revenue and achieve savings and to strengthen rental strategy during the reporting period, the Group achieved a lower-than-expected spending and managed to raise net commission rate for primary project sales.

In the first half of 2019, the number of branches and staff of the Group remained stable, and the operating cost was maintained at a reasonable level. At the same time, the Group launched advertising and promotional campaigns through various channels, and released the TV commercials "Build A Prosperous Future" to reinforce the positive brand image of Midland. In addition, the Group kept strengthening the digital marketing efforts such as EDM, social media and chat room services,

to help improve advertising costs efficiency. The popularity of our website, app and Facebook page gained positive growth in terms of followers and usage.

OUTLOOK

Global and local tensions turn the market cautious

Looking ahead into the rest of the year, it is expected that the global economy is braced for a downturn. Apart from China recording a GDP growth of 6.2% for the second quarter of 2019, the lowest in 27 years, the global economy is clouded by uncertainties, including the escalation of the risk of hard Brexit in the second half of the year, the intensification of the US-Iran geopolitical tensions affecting global oil supply, as well as the diffusion of trade disputes. Not only have the US-China trade talks become increasingly unpredictable, but Japan and South Korea also have entered into trade dispute since July 2019. The Renminbi-US dollar exchange rate dropped below the threshold of 7 recently, heightening the risks for international trade and global economic prospects.

Locally, escalating tensions in social environment are putting pressure on the local economy. In particular, business expansion and retail sales have slowed down. The tense social environment may hinder the progress of farmland development by the government and the developers and the “Lantau Tomorrow Vision” project, exacerbating the housing shortage and bringing further uncertainties to the future property market.

While the Hong Kong economy is facing challenges both internally and externally, there are still favourable market factors. Although the trade war between US and China has been intensifying, the strong domestic demand in China, an economy worth approximately US\$14 trillion, may help stabilize the economy and reduce the negative impact on exports brought by the trade dispute. In addition, the US and the European Union signaled the possibility of further interest rate cut, while the European Central Bank may even broaden the stimulus measures. The low interest rate environment is expected to bring support to the market.

Progress with the times through crossing-selling to increase revenue

Despite pressures exerted by the intense competition in the local market, rise in rental expenses, as well as fast-changing market conditions, the Group persists in devoting resources into innovative technologies to keep pace with times and adapt to market changes.

The Group will further develop and enhance its customer-centric holistic sales platform. Various business units such as mReferral, Midland Financial, and Midland Immigration Consultancy have already made joint efforts in cross-selling their products and services. These efforts are expected to enhance customer service and experience, as well as to increase revenue streams for frontline staff and the Group.

Keep dynamic and remain resilient to confront challenges

In recent years, the lack of fresh blood joining the industry, recruitment and retention of high-quality frontline staff have become a new challenge to the Group. The Group has devised a series of measures such as title-sponsorship of TV programs with a view to enhance the image of the property agents. The Group is also aware that a decline in new home supply may take place in the medium to long term, therefore it will strengthen its position in the secondary market in order to mitigate the possible impact arising from such decline.

The Group will continue to strive for improvement, and to face the challenges proactively amidst the uncertainty in Hong Kong and the global environment.

Development of Greater Bay Area to attract overseas talents

Despite the deterioration of the social conditions, brain drain is not likely as many developed countries have tightened immigration policies. Conversely, with the launch of the Greater Bay Area initiative, the Chinese central government is strengthening the role of Hong Kong as an international financial, shipping, and trade center, as well as an offshore Renminbi business hub. Hong Kong's strategic position will be reinforced, which will attract more overseas talents, in turn enhancing the end-user demands in the local property market. Therefore, although the Group is cautious about the prospects of the Hong Kong property market in 2019, it is optimistic in the long run.

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 2019, the Group had cash and bank balances of HK\$1,189,671,000 (as at 31 December 2018: HK\$942,290,000).

As at 30 June 2019, the interest-bearing bank borrowings of the Group amounted to HK\$484,900,000 (as at 31 December 2018: HK\$255,500,000) and with maturity profile set out as follows:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Repayable within 1 year	484,900	255,500

As at 30 June 2019, the gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, was 32.6% (as at 31 December 2018: 17.5%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (as at 31 December 2018: 1.2). The return on equity, which is the ratio of profit for the period over the total equity of the Group, was 6.3% (six months ended 30 June 2018: 9.6%).

As at 30 June 2019, the Group has unutilised borrowing facilities amounting to HK\$2,206,918,000 (as at 31 December 2018: HK\$2,436,318,000) 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 2019, certain land and buildings and investment properties held by the Group of HK\$59,019,000 (as at 31 December 2018: HK\$59,572,000) and HK\$74,897,000 (as at 31 December 2018: HK\$74,796,000) 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\$2,733,077,000 (as at 31 December 2018: HK\$2,326,024,000).

The Group's cash and bank balances 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 2019, the Company executed corporate guarantee of HK\$2,753,818,000 (as at 31 December 2018: HK\$2,753,818,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2019, banking facilities of HK\$525,940,000 were utilised by the subsidiaries (as at 31 December 2018: HK\$296,977,000).

Employee information

As at 30 June 2019, the Group employed 6,710 full time employees (as at 31 December 2018: 6,563) of which 5,582 were sales agents, 582 were back office supportive employees and 546 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.

ADDITIONAL FINANCIAL INFORMATION

Following the adoption of HKFRS 16 on 1 January 2019, the Group's statutory results for the six months ended 30 June 2019 (the "Current Interim Period") are prepared under HKFRS 16, whereas the statutory results for the corresponding six months ended 30 June 2018 are prepared under HKAS 17 as previously reported. Hence, it is difficult to compare the financial information that is prepared under different bases.

As a result, the Group has provided, for reference only, an illustrative presentation of the Group's unaudited and unreviewed condensed consolidated income statement and unaudited and unreviewed condensed consolidated balance sheet for the Current Interim Period prepared as if reported under HKAS 17 to assist in understanding the financial position impacted by the adoption of HKFRS 16.

HKFRS 16 requires lessee to recognise 'right-of-use' assets with the corresponding lease liabilities for most of the property leases. On the adoption of HKFRS 16, the operating lease charges previously recorded in the consolidated income statement are now replaced by amortisation of right-of-use assets and interest expense on lease liabilities.

**UNAUDITED AND UNREVIEWED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

	As published		For reference only
	<u>Reported under HKFRS 16</u>	<u>Reported under HKAS 17</u>	<u>As if reported under HKAS 17</u>
	Six months ended 30 June		
	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Revenues	2,896,633	2,803,421	2,896,633
Other income	2,731	4,149	2,731
Staff costs	(1,403,131)	(1,494,462)	(1,403,131)
Rebate incentives	(827,982)	(629,241)	(827,982)
Advertising and promotion expenses	(25,021)	(21,385)	(25,021)
Operating lease charges in respect of office and shop premises	(31,015)	(343,750)	(365,105)
Amortisation of right-of-use assets (lease)	(319,081)	-	-
Depreciation and amortisation of property and equipment	(25,802)	(27,505)	(25,820)
Net impairment losses on financial assets	(11,602)	(11,832)	(11,602)
Other operating costs	(136,523)	(126,027)	(136,523)
Operating profit	119,207	153,368	104,180
Finance income	317	194	317
Interest on bank loans	(6,063)	(5,581)	(6,063)
Interest on lease liabilities	(13,584)	-	-
Share of results of joint ventures	11,889	13,967	11,889
Share of results of associates	7,097	16,884	7,431
Profit before taxation	118,863	178,832	117,754
Taxation	(25,266)	(28,424)	(25,266)
Profit for the period attributable to equity holders	93,597	150,408	92,488

**UNAUDITED AND UNREVIEWED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019**

	As published		For reference only
	<u>Reported</u>	<u>Reported</u>	<u>As if reported</u>
	<u>under</u>	<u>under</u>	<u>under</u>
	<u>HKFRS 16</u>	<u>HKAS 17</u>	<u>HKAS 17</u>
	As at	As at 31	As at
	30 June	December	30 June
	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Non-current assets			
Right-of-use assets	670,266	-	-
Land use rights	-	1,072	1,054
Interests in associates	382,037	376,650	384,081
Other non-current assets	272,511	300,468	272,511
	<u>1,324,814</u>	<u>678,190</u>	<u>657,646</u>
Current assets	<u>4,590,455</u>	<u>3,915,706</u>	<u>4,590,455</u>
Total assets	<u>5,915,269</u>	<u>4,593,896</u>	<u>5,248,101</u>
Equity holders			
Share capital and share premium	295,310	295,310	295,310
Reserves	1,189,856	1,160,788	1,251,826
Total equity	<u>1,485,166</u>	<u>1,456,098</u>	<u>1,547,136</u>
Non-current liabilities			
Lease liabilities	221,153	-	-
Other non-current liabilities	5,085	3,980	5,085
	<u>226,238</u>	<u>3,980</u>	<u>5,085</u>
Current liabilities			
Lease liabilities	507,985	-	-
Other current liabilities	3,695,880	3,133,818	3,695,880
	<u>4,203,865</u>	<u>3,133,818</u>	<u>3,695,880</u>
Total liabilities	<u>4,430,103</u>	<u>3,137,798</u>	<u>3,700,965</u>
Total equity and liabilities	<u>5,915,269</u>	<u>4,593,896</u>	<u>5,248,101</u>

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Interim Period (six months ended 30 June 2018: HK\$0.032 per ordinary share).

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 2019 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 2019 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 extend my heartfelt gratitude to our board members and staff for their contribution to the Group, and to take this opportunity to thank every shareholder and customer for their continuous support to the Group. We will continue our efforts to offer quality services, so as to create a better future for the Group.

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

Hong Kong, 28 August 2019

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.