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美聯集團
MIDLAND HOLDINGS
Midland Holdings Limited
美 聯 集 團 有 限 公 司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1200)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "Board") of Midland Holdings Limited (the "Company") announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Revenues	*4(a)*	**4,883,503**	5,010,221
Other income, net	*5*	**2,452**	5,882
Staff costs		**(2,457,041)**	(2,596,653)
Rebate incentives		**(1,360,777)**	(1,235,698)
Advertising and promotion expenses		**(62,793)**	(52,355)
Operating lease charges in respect of office and shop premises		**(63,345)**	(706,914)
Amortisation of right-of-use assets (lease)		**(648,029)**	-
Depreciation of property and equipment		**(55,808)**	(55,346)
Net impairment loss on financial assets		**(13,423)**	(47,706)
Other operating costs		**(268,990)**	(270,874)
Operating (loss)/profit	*6*	**(44,251)**	50,557
Finance income		**631**	546
Interest on bank loans and overdrafts		**(13,331)**	(16,711)
Interest on lease liabilities		**(27,586)**	-
Share of results of joint ventures		**27,712**	27,849
Share of results of associates		**(6,601)**	16,295
(Loss)/profit before taxation		**(63,426)**	78,536
Taxation	*7*	**(5,498)**	(20,402)
(Loss)/profit for the year attributable to equity holders		**(68,924)**	58,134

*For identification purpose only

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Dividends	*8*	**-**	22,977
(Loss)/earnings per share	*9*	***HK cents***	*HK cents*
Basic		**(9.60)**	8.10
Diluted		**(9.60)**	7.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to equity holders	**(68,924)**	58,134
Other comprehensive income		
Item that will not be reclassified to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	**108**	1,156
Item that may be reclassified to profit or loss		
Currency translation differences	**405**	1,435
Other comprehensive income for the year, net of tax	**513**	2,591
Total comprehensive (loss)/income for the year attributable to equity holders, net of tax	**(68,411)**	60,725

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property and equipment		**144,469**	136,518
Right-of-use assets		**690,803**	-
Investment properties		**77,687**	91,160
Land use rights		**-**	1,072
Interests in joint ventures		**45,821**	45,637
Interests in associates		**368,339**	376,650
Financial assets at fair value through other comprehensive income		**4,800**	5,635
Deferred tax assets		**21,227**	17,093
Loan receivables	*10*	**2,698**	4,425
		1,355,844	678,190
Current assets			
Trade and other receivables	*11*	**2,514,757**	2,907,556
Taxation recoverable		**29,204**	27,102
Loan receivables	*10*	**115,323**	38,758
Short-term bank deposits		**2,260**	4,584
Cash and cash equivalents		**1,149,428**	937,706
		3,810,972	3,915,706
Total assets		**5,166,816**	4,593,896

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000*
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**71,805**	71,805
Share premium		**223,505**	223,505
Reserves		**1,029,324**	1,160,788
Total equity		**1,324,634**	1,456,098
Non-current liabilities			
Deferred tax liabilities		**6,021**	3,980
Lease liabilities		**241,586**	-
		247,607	3,980
Current liabilities			
Trade and other payables	*12*	**2,584,713**	2,874,810
Borrowings		**489,000**	255,500
Lease liabilities		**517,078**	-
Taxation payable		**3,784**	3,508
		3,594,575	3,133,818
Total liabilities		**3,842,182**	3,137,798
Total equity and liabilities		**5,166,816**	4,593,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, property leasing, immigration consultancy services and money lending services.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have 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.

(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, interpretations and amendments does not have a material impact to the Group's results of operations or financial position.

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

The Group has not early applied the new 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 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 consolidated 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".

(a) 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 rates 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 were measured on a retrospective basis as if the new rules had always been applied, but discounted using the lessee's incremental borrowing rates as of 1 January 2019. The recognised right-of-use assets of the Group mainly relate to property leases.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rates and the total lease liabilities recognised in the consolidated balance sheet at the date of initial application of HKFRS 16 comprised the exclusion of short-term leases recognised on a straight-line basis as expenses, and different treatments on lease contracts in relation to termination options or obligations, or under renewal process.

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)

(a) 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.

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

(b) Impact on segment disclosure

Segment assets and segment liabilities as at 31 December 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	684,979	751,967
Property agency – Commercial and industrial properties and shops	5,824	6,697
	690,803	758,664

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

(c) 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;
- accounting for operating leases with a remaining lease term of less than twelve months as at 1 January 2019 as short-term leases; 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".

4 Revenues and segment information

(a) Revenues

	2019	2018
	HK$'000	*HK$'000*
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
- Agency fee	**4,863,656**	4,984,090
- Immigration consultancy services	**7,197**	17,464
- Web advertising	**1,533**	1,489
- Other services	**3,048**	3,437
	4,875,434	5,006,480
Revenues from other sources		
- Rental income	**3,082**	2,843
- Interest income from loan receivables	**4,987**	898
Total revenues	**4,883,503**	5,010,221

(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)

	Year ended 31 December 2019			
	Property agency			
	Residential properties *HK$'000*	**Commercial and industrial properties and shops** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenues	**4,772,175**	**91,481**	**27,512**	**4,891,168**
Inter-segment revenues	**-**	**-**	**(7,665)**	**(7,665)**
Revenues from external customers	**4,772,175**	**91,481**	**19,847**	**4,883,503**
Timing of revenue recognition				
- At a point in time	**4,772,175**	**91,481**	**3,048**	**4,866,704**
- Over time	**-**	**-**	**8,730**	**8,730**
Rental income	**-**	**-**	**3,082**	**3,082**
Interest income from loan receivables	**-**	**-**	**4,987**	**4,987**
	4,772,175	**91,481**	**19,847**	**4,883,503**
Segment results	**(23,676)**	**(13,745)**	**31,714**	**(5,707)**
Amortisation of right-of-use assets (lease)	**(644,435)**	**(3,490)**	**(104)**	**(648,029)**
Depreciation of property and equipment	**(53,530)**	**(1,117)**	**(696)**	**(55,343)**
Net impairment loss on financial assets	**(13,259)**	**(164)**	**-**	**(13,423)**
Share of results of joint ventures	**-**	**-**	**27,712**	**27,712**
Share of results of associates	**-**	**(6,601)**	**-**	**(6,601)**
Fair value loss on investment properties	**-**	**-**	**(2,319)**	**(2,319)**
Impairment loss on right-of-use assets	**(3,907)**	**(427)**	**-**	**(4,334)**
Additions to property and equipment	**63,491**	**790**	**156**	**64,437**

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)

	Year ended 31 December 2018			
	Property agency			
	Residential properties	Commercial and industrial properties and shops	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenues	4,897,474	86,616	33,763	5,017,853
Inter-segment revenues	-	-	(7,632)	(7,632)
Revenues from external customers	4,897,474	86,616	26,131	5,010,221
Timing of revenue recognition				
- At a point in time	4,897,474	86,616	3,437	4,987,527
- Over time	-	-	18,953	18,953
Rental income	-	-	2,843	2,843
Interest income from loan receivables	-	-	898	898
	4,897,474	86,616	26,131	5,010,221
Segment results	80,741	15,922	46,843	143,506
Depreciation of property and equipment	(52,760)	(1,418)	(703)	(54,881)
Net impairment loss on financial assets	(46,659)	(1,047)	-	(47,706)
Share of results of joint ventures	-	-	27,849	27,849
Share of results of associates	-	16,295	-	16,295
Fair value gains on investment properties	-	-	2,465	2,465
Additions to property and equipment	53,043	710	54	53,807

Note: The share of results and interests in joint ventures mainly represent the financial information of mReferral Corporation Limited and its subsidiaries that are material to the Group.

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 overdrafts and taxation are not included in the segment results.

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

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

	2019	2018
	HK$'000	*HK$'000*
Segment results for reportable segments	**(5,707)**	143,506
Corporate expenses	**(45,019)**	(48,805)
Finance income	**631**	546
Interest on bank loans and overdrafts	**(13,331)**	(16,711)
(Loss)/profit before taxation per consolidated income statement	**(63,426)**	78,536

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 31 December 2019			
	Property agency			
	Residential properties	**Commercial and industrial properties and shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**4,038,552**	**415,145**	**262,420**	**4,716,117**
Segment assets include:				
Interests in joint ventures	**-**	**-**	**45,821**	**45,821**
Interests in associates	**-**	**368,339**	**-**	**368,339**
Segment liabilities	**3,274,774**	**45,813**	**21,418**	**3,342,005**

4 Revenues and segment information (continued)

(b) Segment information (continued)

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

Reportable segment assets are reconciled to total assets as follows:

	2019 *HK$'000*	2018 *HK$'000*
Segment assets	**4,716,117**	4,122,793
Corporate assets	**424,672**	448,375
Deferred tax assets	**21,227**	17,093
Financial assets at fair value through other comprehensive income	**4,800**	5,635
Total assets per consolidated balance sheet	**5,166,816**	4,593,896

Reportable segment liabilities are reconciled to total liabilities as follows:

	2019 *HK$'000*	2018 *HK$'000*
Segment liabilities	**3,342,005**	2,872,418
Corporate liabilities	**494,156**	261,400
Deferred tax liabilities	**6,021**	3,980
Total liabilities per consolidated balance sheet	**3,842,182**	3,137,798

4 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

	2019 *HK$'000*	2018 *HK$'000*
Revenues from external customers		
Hong Kong and Macau	**3,963,912**	4,160,330
PRC	**919,591**	849,891
	4,883,503	5,010,221

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

5 Other income, net

	2019 *HK$'000*	2018 *HK$'000*
Fair value (loss)/gains on investment properties	**(2,319)**	2,465
Gain on disposal of an investment property	**170**	-
Others	**4,601**	3,417
	2,452	5,882

6 Operating (loss)/profit

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

	2019 *HK$'000*	2018 *HK$'000*
Loss on disposal of property and equipment	**353**	768
Impairment loss on right-of-use assets	**4,334**	-
Direct operating expenses arising from investment properties that:		
- generated rental income	**306**	307
- did not generate rental income	**32**	119
Auditor's remuneration		
- audit services	**3,127**	3,259
- interim results review	**573**	573
Net foreign exchange losses	**590**	2,682

7 Taxation

	2019	2018
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**6,599**	17,132
Overseas	**992**	797
Deferred taxation	**(2,093)**	2,473
	5,498	20,402

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

8 Dividends

	2019	2018
	HK$'000	*HK$'000*
Interim dividend of nil (2018: HK$0.032) per share	**-**	22,977

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

9 (Loss)/earnings per share

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

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders for the calculation of basic (loss)/earnings per share	**(68,924)**	58,134
Adjustment on the effect of dilutive events of associates	**-**	(1,038)
(Loss)/profit attributable to equity holders for the calculation of diluted (loss)/earnings per share	**(68,924)**	57,096
Number of shares for the calculation of basic and diluted (loss)/earnings per share (thousands)	**718,046**	718,046
Basic (loss)/earnings per share (HK cents)	**(9.60)**	8.10
Diluted (loss)/earnings per share (HK cents)	**(9.60)**	7.95

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

For the year ended 31 December 2019, the diluted loss per share is the same as the basic loss per share as the exercise of share options of the Company and the convertible note issued by its associates would have an anti-dilutive effect.

In calculating the diluted earnings per share for the year ended 31 December 2018, adjustments have been made to reflect the dilutive impact in respect of the exercise of the convertible note issued by 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 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:

	2019	2018
	HK$'000	*HK$'000*
Current	**115,323**	38,758
Over 1 year but less than 3 years	**2,698**	4,425
	118,021	43,183

11 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:

	2019	2018
	HK$'000	*HK$'000*
Current (not yet due)	**2,066,100**	2,481,663
Less than 30 days past due	**43,826**	38,453
31 to 60 days past due	**17,929**	14,331
61 to 90 days past due	**6,673**	4,029
More than 90 days past due	**11,084**	9,031
	2,145,612	2,547,507

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

12 Trade and other payables

Commissions and rebate payables to property consultants, co-operative estate agents and property buyers are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK$371,064,000 (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 year 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.

13 Event after the reporting period

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented. The Group has paid close attention to the development of the COVID-19 outbreak and kept evaluating its impact on the financial position, cash flows and operating results of the Group. The outbreak is a non-adjusting post-balance sheet event. We do not consider that this has any material impacts on the carrying value of assets or liabilities at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that for the year ended 31 December 2019, it recorded a revenue of approximately HK$4,884 million, representing a decrease of 2.5% as compared with that for the year of 2018. Loss attributable to equity holders amounted to HK$69 million (2018: profit attributable to equity holders amounted to HK$58 million).

During the reporting period, the global economic landscape has been clouded by rising protectionism, proliferating geopolitical disputes and a protracted China-US trade war. Coupled with the prolonged social movement in Hong Kong in the second half of 2019, the Group's performance was inevitably affected. The local residential property market sales activities dropped sharply in the second half of 2019 as compared with that in the first half of 2019. Despite profit recorded for the business under the brand name "Midland Realty", poor financial performance of the business under the brand name "Hong Kong Property", which is wholly-owned by the Group, was one of the reasons for the Group's net loss.

Remarkable Sales Performance in the First Half of 2019

The China-US trade conflicts appeared to have eased in late 2018. Together with the dissipating risk of interest rate hikes in early 2019, pent-up demand in the residential market was released. The Hong Kong residential market began to make a full recovery in the first half of 2019. According to the figures from the Land Registry, the number and value of registrations for local residential properties in the first half of 2019 increased by 47.8% and 34.9%, respectively, as compared with that in the second half of 2018. According to the Midland Property Price Index, property prices of local residential properties rose by 11.2% in aggregate from January to May 2019 and reached its new all-time high.

As developers put more efforts in clearing unsold inventories in the anticipation of the implementation of the vacancy tax, primary home market performed remarkably well in the first half of 2019. However, the exceptional performance in the first half of 2019 prompted some developers to slow down the pace of new launches in the second half of 2019.

Abrupt Turn in the Second Half of 2019

Despite the vibrancy of the residential market in the first half of 2019, the overall Hong Kong market took an abrupt turn in the second half of 2019. Not only did the China-US trade disputes rekindle market concerns, Hong Kong had also fallen into a prolonged large-scale social movement for six months. Consequently, transaction value of residential properties plummeted by 28.9% in the second half of 2019 as compared with that in the first half, and home prices fell from the historic high in May 2019. The overall economic conditions in Hong Kong in the second half were dismal, which dragged down Hong Kong's GDP by 1.2%, marking its first contraction in a decade.

Active Cost Control Measures Safeguarded Competitiveness

In 2019, the local residential property market experienced drastic ups and downs. While property prices reached a record high in May, the overall property market was plunged into a downturn in the second half of the year by the impacts of the social movement. During the reporting period, developers focused on selling inventories, which affected the Group's results in 2019 on two fronts. Firstly, rebate incentives expenses increased as developers raised commission rate for the inventories. Secondly, the strength of "Hong Kong Property", the Group's wholly-owned subsidiary, lies in the sales of newly launched projects. Its operating performance could not benefit from the developers' sales strategy of clearing up inventories.

In view of the adverse operating environment, the Group proactively improved overall cost-efficiency in the second half of 2019 to maintain competitiveness. In addition to strategically reducing the number of branches and staff in mainland, raising the cost-effectiveness and efficiency of the Group's China division, the Group also began to proactively seek rental reduction from landlords in response to the intensification of the social tension.

OUTLOOK

Outbreak Dealt a Further Blow to Local Economy

The COVID-19 outbreak in early 2020, which spread rapidly across Asia and the globe, has been severely affecting industries such as retail and tourism and even stoking fear among investors, resulting in a global stock market meltdown. It is believed that the outbreak will hit the global economy harder than that of SARS in 2003. A considerable number of factories and offices in mainland were unable to resume operation after the Lunar New Year holidays. It would be difficult for the market to return to normal levels in the near term, the Greater Bay Area initiative will be affected.

Meanwhile, the protracted China-US trade negotiations have resulted in the signing of the phase one Economic and Trade Agreement in January 2020, but the content and signing date of the phase two agreement are yet unknown. The trade tensions might escalate again following the re-opening of negotiations. Under the triple threats of China-US trade disputes, local social movement and the COVID-19 outbreak, the economic prospect in Hong Kong is bleak. The Hong Kong Government's efforts such as discouraging visitors and gatherings will further paralyse the economy.

For the real estate agency business, despite the thriving proliferation of online property platforms, human interactions with clients are still paramount. In the beginning of the outbreak, no new project has been launched. Individual home owners have also been reluctant to lower prices, resulting in a sharp decline in the secondary market sales activities for a time.

Outbreak Impact Expected Not To Be Long Lasting – Remain Cautious of the Market

Political climate has noticeably eased since the District Council election in November. Coupled with the signing of phase one Economic and Trade Agreement between China and the US in January 2020, market sentiments have improved, prominently driving up property transactions. According to the figures from the Sales of First-hand Residential Properties Electronic Platform, the number of new homes sold in January 2020 amounted to 1,168 units, up 132% from that in December 2019. Transaction volume of the secondary market in the second half of February also increased significantly from that in the first half of the same month, indicating that the residential market sales activities have been digesting the impacts of the outbreak. Despite a 70% month-on-month drop in the new home transaction volume in February 2020, new projects were launched in March and received quite a good sale result.

While the COVID-19 outbreak has hindered the economy and the property market, as the international community has continued to strengthen measures to deal with the outbreak, the Group believes that the impact of the outbreak would not be long lasting. We also believe that the Chinese Central Government has the capacity to control and combat the virus and will launch initiatives such as the RMB25 trillion infrastructure investment to stimulate the economy which will be beneficial to the long-term development of the overall market. Moreover, the resumption of work and production in mainland and Hong Kong is in good progress, and we believe that the overall economy and the local residential property market will be slowly getting back on track after the outbreak.

On the global front, the two consecutive US interest rate cuts by 150 basis points in total are expected to help cushion the impacts of the virus on the Hong Kong economy. Of course, the violent swings of the global equities market has weakened the market sentiments in the near term, but the super low interest rate environment together with the new round of global stimulative monetary measures will strengthen the property purchasing power in a longer run. Indeed, the financial market in Hong Kong has remained intact even during the height of the social events last year. Listing and bond issuance activities of various corporations have been successful. The listing of the Alibaba Group in Hong Kong at the end of last year further highlighted the strengths of Hong Kong as an international financial centre.

Local demand for residential properties continues to be strong. We expect that after the passing of the outbreak and social events, market activities may rebound to the pre-events level. By then, impact of the relaxation of the mortgage requirement will be fully reflected.

Keep Abreast of the Times and Seek for Development

The unfavourable market conditions in the last six months and the unprecedented challenges posed by the epidemic have rendered it imperative for the Group to take a stringent approach in costs containment, so as to maintain a robust operation. Accordingly, I, as the Chairman of the Board, announced a voluntary reduction of 40% of my monthly remuneration and all Executive Directors have taken a voluntary pay cut for three months while the senior management has accepted a salary freeze. These are an indication of the management's determination to endure hardship together.

Despite the market slump, the Group has to keep investing in technological development and application as preparation for capturing a bigger market share when the time comes. Indeed, the number of app downloads has stayed high since the outbreak. At the same time, the Group continues to improve its strengths through proactive marketing strategies. For instance, two new indices have been launched. One is the Midland Global Property Price Index which aims at increasing the awareness of the international property market. The other is the Hong Kong Property Market Confidence Index which serves as an indicator of the market movement.

Flexible Sales Strategies to Develop a Holistic Platform

In the medium to long term, the Group needs to cope with two changes in the landscape of the primary home market. The first is the anticipated implementation of vacancy tax on first-hand residential properties, while the second is the shortage of new home supply in the near term. In view of this, the Group will spare no effort in strengthening its position in the segments of unsold primary inventories and secondary units.

During the reporting period, the Group's non-property agency business performed well, in which mReferral and Midland Immigration made positive profit contributions to the Group. The Group will continue to put in resources to develop and strengthen the customer-centric holistic platform.

The local economy took an ugly turn in 2019, in which the overall real estate agency industry also experienced a contraction. The number of agency outlets* in Hong Kong, fell below 7,000 in January 2020 for the first time since mid-2018, and a few small-scaled agency companies closed down. If the downtrend persists, the struggle for survival of the fittest will intensify, easing the competition within the industry. For the Group, that would create a conductive environment for the development of its business. Nonetheless, global business activities shrink because of the outbreak of COVID-19, resulting in an uncertain outlook. We will keep enhancing our cost-effectiveness to seize a bigger market share and solidifying our leading position.

The Group will remain dedicated to progress and will do its best to meet challenges amidst local and global instability. We will work hand in hand with our staff to fight the epidemic and support each other in this difficult time.

* Represented by the number of "Statement of Particulars of Business"

FINANCIAL REVIEW

Liquidity and financial resources

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

As at 31 December 2019, the Group had cash and bank balances of HK$1,151,688,000 (2018: HK$942,290,000).

As at 31 December 2019, the interest-bearing bank borrowings of the Group amounted to HK$489,000,000 (2018: HK$255,500,000) and with maturity profile set out as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Repayable within 1 year	**489,000**	255,500

As at 31 December 2019, the gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, was 36.9% (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 (2018: 1.2). The return on equity, which is the ratio of (loss)/profit for the year over the total equity of the Group, was -5.20% (2018: 3.99%).

As at 31 December 2019, the Group has unutilised borrowing facilities amounting to HK$2,201,556,000 (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 (the "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 31 December 2019, certain land and buildings and investment properties held by the Group of HK$58,465,000 (2018: HK$59,572,000) and HK$61,353,000 (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$1,917,269,000 (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 31 December 2019, the Company executed corporate guarantee of HK$2,752,556,000 (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 31 December 2019, banking facilities of HK$528,899,000 were utilised by the subsidiaries (2018: HK$296,977,000).

EMPLOYEE INFORMATION

As at 31 December 2019, the Group employed 6,726 full time employees (2018: 6,563) of which 5,607 were sales agents, 612 were back office supportive employees and 507 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 year ended 31 December 2019 (the "Current Year") are prepared under HKFRS 16, whereas the statutory results for the corresponding year ended 31 December 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 consolidated income statement and consolidated balance sheet for the Current Year 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 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.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	As published		For reference only
	Reported under HKFRS 16	*Reported under HKAS 17*	***As if reported under HKAS 17***
	2019	2018	**2019**
	HK$'000	*HK$'000*	***HK$'000***
Revenues	**4,883,503**	5,010,221	**4,883,503**
Other income, net	**2,452**	5,882	**2,452**
Staff costs	**(2,457,041)**	(2,596,653)	**(2,457,041)**
Rebate incentives	**(1,360,777)**	(1,235,698)	**(1,360,777)**
Advertising and promotion expenses	**(62,793)**	(52,355)	**(62,793)**
Operating lease charges in respect of office and shop premises	**(63,345)**	(706,914)	**(735,583)**
Amortisation of right-of-use assets (lease)	**(648,029)**	-	**-**
Depreciation of property and equipment	**(55,808)**	(55,346)	**(55,843)**
Net impairment loss on financial assets	**(13,423)**	(47,706)	**(13,423)**
Other operating costs	**(268,990)**	(270,874)	**(264,656)**
Operating (loss)/profit	**(44,251)**	50,557	**(64,161)**
Finance income	**631**	546	**631**
Interest on bank loans and overdrafts	**(13,331)**	(16,711)	**(13,331)**
Interest on lease liabilities	**(27,586)**	-	**-**
Share of results of joint ventures	**27,712**	27,849	**27,712**
Share of results of associates	**(6,601)**	16,295	**(6,551)**
(Loss)/profit before taxation	**(63,426)**	78,536	**(55,700)**
Taxation	**(5,498)**	(20,402)	**(5,498)**
(Loss)/profit for the year attributable to equity holders	**(68,924)**	58,134	**(61,198)**

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	As published		For reference only
	Reported under HKFRS 16	*Reported under HKAS 17*	***As if reported under HKAS 17***
	2019	2018	**2019**
	HK$'000	*HK$'000*	***HK$'000***
Non-current assets			
Right-of-use assets	**690,803**	-	**-**
Land use rights	**-**	1,072	**1,014**
Interests in associates	**368,339**	376,650	**370,099**
Other non-current assets	**296,702**	300,468	**296,702**
	1,355,844	678,190	**667,815**
Current assets	**3,810,972**	3,915,706	**3,810,972**
Total assets	**5,166,816**	4,593,896	**4,478,787**
Equity holders			
Share capital and share premium	**295,310**	295,310	**295,310**
Reserves	**1,029,324**	1,160,788	**1,099,959**
Total equity	**1,324,634**	1,456,098	**1,395,269**
Non-current liabilities			
Lease liabilities	**241,586**	-	**-**
Other non-current liabilities	**6,021**	3,980	**6,021**
	247,607	3,980	**6,021**
Current liabilities			
Lease liabilities	**517,078**	-	**-**
Other current liabilities	**3,077,497**	3,133,818	**3,077,497**
	3,594,575	3,133,818	**3,077,497**
Total liabilities	**3,842,182**	3,137,798	**3,083,518**
Total equity and liabilities	**5,166,816**	4,593,896	**4,478,787**

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2019.

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 year ended 31 December 2019.

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 year ended 31 December 2019.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2019. The figures in respect of this announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF 2019 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midland.com.hk). The Company's 2019 Annual 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 our Board members and staff for their contribution, and to take this opportunity to thank every shareholder and customer for their lasting support to the Group. We will continue to be dedicated to offering quality services, leading the Group towards a brighter future.

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

Hong Kong, 27 March 2020

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.