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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 (the "Interim Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenues	*3*	**2,468,046**	2,896,633
Other income, net	*4*	**37,368**	2,731
Staff costs		**(1,204,995)**	(1,403,131)
Rebate incentives		**(797,473)**	(827,982)
Advertising and promotion expenses		**(35,607)**	(25,021)
Operating lease charges in respect of office and shop premises		**(26,764)**	(31,015)
Amortisation of right-of-use assets (lease)		**(300,149)**	(319,081)
Depreciation of property and equipment		**(25,215)**	(25,802)
Net impairment losses on financial assets		**(10,575)**	(11,602)
Other operating costs		**(111,492)**	(136,523)
Operating (loss)/profit	*5*	**(6,856)**	119,207
Finance income		**249**	317
Interest on bank loans		**(4,786)**	(6,063)
Interest on lease liabilities		**(11,868)**	(13,584)
Share of results of joint ventures		**7,252**	11,889
Share of results of associates		**(2,634)**	7,097
(Loss)/profit before taxation		**(18,643)**	118,863
Taxation	*6*	**(5,711)**	(25,266)
(Loss)/profit for the period attributable to equity holders		**(24,354)**	93,597

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June	
		2020	2019
		HK cents	*HK cents*
(Loss)/earnings per share	*8*		
Basic		**(3.39)**	13.03
Diluted		**(3.39)**	13.02

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit for the period attributable to equity holders	**(24,354)**	93,597
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	**43**	-
Item that may be reclassified to profit or loss		
Currency translation differences	**127**	(1,476)
Other comprehensive income/(loss) for the period, net of tax	**170**	(1,476)
Total comprehensive (loss)/income for the period attributable to equity holders, net of tax	**(24,184)**	92,121

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2020

	Note	**As at 30 June 2020** *HK$'000*	As at 31 December 2019 *HK$'000*
ASSETS			
Non-current assets			
Property and equipment		**143,484**	144,469
Right-of-use assets		**568,241**	690,803
Investment properties		**74,642**	77,687
Interests in joint ventures		**25,420**	45,821
Interests in associates		**365,705**	368,339
Financial assets at fair value through other comprehensive income		**4,668**	4,800
Deferred tax assets		**19,794**	21,227
Loan receivables	*9*	**1,497**	2,698
		1,203,451	1,355,844
Current assets			
Trade and other receivables	*10*	**3,225,146**	2,514,757
Taxation recoverable		**8,646**	29,204
Loan receivables	*9*	**116,769**	115,323
Short-term bank deposits		**2,250**	2,260
Cash and cash equivalents		**1,469,241**	1,149,428
		4,822,052	3,810,972
Total assets		**6,025,503**	5,166,816

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)
AS AT 30 JUNE 2020

	Note	As at 30 June 2020 HK$'000	As at 31 December 2019 HK$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**71,805**	71,805
Share premium		**223,505**	223,505
Reserves		**1,006,223**	1,029,324
Total equity		**1,301,533**	1,324,634
Non-current liabilities			
Deferred tax liabilities		**6,944**	6,021
Lease liabilities		**173,704**	241,586
		180,648	247,607
Current liabilities			
Trade and other payables	*11*	**3,154,766**	2,584,713
Borrowings		**924,700**	489,000
Lease liabilities		**459,503**	517,078
Taxation payable		**4,353**	3,784
		4,543,322	3,594,575
Total liabilities		**4,723,970**	3,842,182
Total equity and liabilities		**6,025,503**	5,166,816

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 HM 11, 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.

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 2020.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 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 ("HKASs") 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2019, except for the adoption of the new or amended HKFRSs, HKASs and Interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2020 and the following policy related to government grants.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2 Basis of preparation (continued)

New standards, interpretation and amendments effective in 2020

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

New standards, interpretation and amendments which are not yet effective

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

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
- Agency fee	**2,458,553**	2,887,793
- Immigration consultancy services	**1,016**	4,094
- Web advertising	**108**	108
- Other services	**1,096**	1,986
	2,460,773	2,893,981
Revenues from other sources		
- Rental income	**1,691**	1,296
- Interest income from loan receivables	**5,582**	1,356
	2,468,046	2,896,633

(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 comprising the 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. The Group's businesses are principally located in Hong Kong, the PRC and Macau.

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2020			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenues	**2,434,016**	**24,537**	**13,327**	**2,471,880**
Inter-segment revenues	**-**	**-**	**(3,834)**	**(3,834)**
Revenues from external customers	**2,434,016**	**24,537**	**9,493**	**2,468,046**
Timing of revenue recognition				
- At a point in time	**2,434,016**	**24,537**	**1,096**	**2,459,649**
- Over time	**-**	**-**	**1,124**	**1,124**
Rental income	**-**	**-**	**1,691**	**1,691**
Interest income from loan receivables	**-**	**-**	**5,582**	**5,582**
	2,434,016	**24,537**	**9,493**	**2,468,046**
Segment results	**(31,368)**	**(11,604)**	**9,058**	**(33,914)**
Amortisation of right-of-use assets (lease)	**(298,495)**	**(1,654)**	**-**	**(300,149)**
Depreciation of property and equipment	**(24,201)**	**(419)**	**(363)**	**(24,983)**
Net impairment losses on financial assets	**(10,153)**	**(422)**	**-**	**(10,575)**
Share of results of joint ventures	**-**	**-**	**7,252**	**7,252**
Share of results of associates	**-**	**(2,634)**	**-**	**(2,634)**
Fair value losses on investment properties	**-**	**-**	**(2,719)**	**(2,719)**
Additions to property and equipment	**24,055**	**325**	**80**	**24,460**

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2019			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment 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 of property and equipment	(24,918)	(306)	(345)	(25,569)
Net impairment losses 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 losses on investment properties	-	-	(131)	(131)
Additions to property and equipment	24,690	270	3	24,963

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

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, government subsidy, 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.

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Segment results for reportable segments	**(33,914)**	150,752
Corporate expenses	**(18,146)**	(26,143)
Government subsidy	**37,954**	-
Finance income	**249**	317
Interest on bank loans	**(4,786)**	(6,063)
(Loss)/profit before taxation per condensed consolidated income statement	**(18,643)**	118,863

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 2020			
	Property agency			
	Residential properties	**Commercial and industrial properties and shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**4,840,307**	**405,628**	**239,950**	**5,485,885**
Segment assets include:				
Interests in joint ventures	**-**	**-**	**25,420**	**25,420**
Interests in associates	**-**	**365,705**	**-**	**365,705**
Segment liabilities	**3,657,598**	**39,486**	**23,084**	**3,720,168**

3 Revenues and segment information (continued)

(b) Segment information (continued)

	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

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Segment assets	**5,485,885**	4,716,117
Corporate assets	**515,156**	424,672
Deferred tax assets	**19,794**	21,227
Financial assets at fair value through other comprehensive income	**4,668**	4,800
Total assets per condensed consolidated balance sheet	**6,025,503**	5,166,816

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Segment liabilities	**3,720,168**	3,342,005
Corporate liabilities	**996,858**	494,156
Deferred tax liabilities	**6,944**	6,021
Total liabilities per condensed consolidated balance sheet	**4,723,970**	3,842,182

3 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenues from external customers		
Hong Kong and Macau	**2,174,093**	2,447,729
PRC	**293,953**	448,904
	2,468,046	2,896,633

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

4 Other income, net

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Fair value losses on investment properties	**(2,719)**	(131)
Government subsidy	**37,954**	-
Others	**2,133**	2,862
	37,368	2,731

5 Operating (loss)/profit

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Direct operating expenses arising from investment properties that:		
– generated rental income	**84**	149
– did not generate rental income	**16**	16
Office and branch operating expenses (remark)	**55,470**	68,429
Government rent and rates, building management fee of leased properties	**23,579**	23,939
Legal and professional fees	**3,969**	4,816
Staff recruitment, training and welfare	**4,548**	6,253
Bank charges	**10,268**	11,835
Loss on disposal of property and equipment	**77**	1
Net foreign exchange losses	**32**	17
Auditor's remuneration		
– audit services	**1,564**	1,564
– interim results review	**573**	573

Remark: Office and branch operating expenses including utilities expenses, communication expenses, printing and stationary, transportation, licence fee and repair and maintenance.

6 Taxation

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**3,303**	19,512
Overseas	**52**	35
Deferred taxation	**2,356**	5,719
	5,711	25,266

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2019: 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.

7 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

8 (Loss)/earnings per share

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders for the calculation of basic (loss)/earnings per share	**(24,354)**	93,597
Adjustment on the effect of dilutive events of associates	**-**	(77)
(Loss)/profit attributable to equity holders for the calculation of diluted (loss)/earnings per share	**(24,354)**	93,520
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)	**(3.39)**	13.03
Diluted (loss)/earnings per share (HK cents)	**(3.39)**	13.02

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

8 (Loss)/earnings per share (continued)

For the six months ended 30 June 2020, 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 six months ended 30 June 2019, adjustment has 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.

9 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 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Current	**116,769**	115,323
Over 1 year but less than 3 years	**1,497**	2,698
	118,266	118,021

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 aging analysis of the trade receivables is as follows:

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
Current (not yet due)	**2,772,805**	2,066,100
Less than 30 days past due	**50,463**	43,826
31 to 60 days past due	**26,850**	17,929
61 to 90 days past due	**6,184**	6,673
More than 90 days past due	**9,818**	11,084
	2,866,120	2,145,612

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

11 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$260,253,000 (as at 31 December 2019: HK$371,064,000) 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.

ADDITIONAL FINANCIAL INFORMATION IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

In addition to the information disclosed in the 2019 Annual Report, the Board would like to provide further information in respect of Note 12 operating (loss)/profit of the Group as disclosed on page 115 of the 2019 Annual Report together with the comparative figures of 2018.

Operating (loss)/profit

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

	2019	2018
	HK$'000	*HK$'000*
Direct operating expenses arising from investment properties that:		
– generated rental income	**306**	307
– did not generate rental income	**32**	119
Office and branch operating expenses (remark)	**136,460**	133,032
Government rent and rates, building management fee of leased properties	**49,206**	45,769
Legal and professional fees	**11,273**	8,375
Staff recruitment, training and welfare	**15,065**	18,291
Insurance expenses	**12,473**	13,654
Bank charges	**21,030**	18,007
Impairment loss on right-of-use assets	**4,334**	-
Loss on disposal of property and equipment	**353**	768
Net foreign exchange losses	**590**	2,682
Auditor's remuneration		
– audit services	**3,127**	3,259
– interim results review	**573**	573

Remark: Office and branch operating expenses including utilities expenses, communication expenses, printing and stationary, transportation, licence fee and repair and maintenance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Midland Holdings Limited and its subsidiaries announce that for the six months ended 30 June 2020, the Group recorded a revenue of approximately HK$2,468 million, representing a decrease of 14.8% as compared with the corresponding period of 2019. Loss attributable to equity holders amounted to approximately HK$24 million (for the six months ended 30 June 2019: profit attributable to equity holders amounted to approximately HK$94 million).

The net loss recorded during the reporting period was mainly attributable to the adverse market conditions caused by the unprecedented COVID-19 pandemic and the associated combating measures in Hong Kong and the Mainland China, which led to:

1. significant drop in the transaction value and volume of residential properties in Hong Kong for the six months ended 30 June 2020, in particular in the primary residential market, as compared with those for the corresponding period in 2019;
2. drop in revenue from our operations in Mainland China, resulting in segmental loss; and
3. significant drop in revenue from our business under the brand name “Hong Kong Property 香港置業”, a wholly-owned subsidiary of the Company, resulting in operating loss recorded for that business, in contrast to the profit recorded for the business under the brand name “Midland Realty 美聯物業”.

Market Tensions Caused by Multiple Factors

The signing of Phase One Economic and Trade Agreement between Mainland China and the US in January 2020, coupled with the easing of the social tensions after the Hong Kong District Council election last November helped turn the market conditions temporarily into positive at the beginning of the year. However, market sentiments had been dampened following the outbreak of COVID-19, causing the market consolidation which began last June to extend into 2020.

The initial COVID-19 outbreak at the beginning of 2020 hit the primary residential market particularly hard. In addition to potential buyers adopting wait-and-see attitudes, the disease prevention and control measures such as the prohibition on group gathering imposed by the Hong Kong government, prompted hesitation among developers in launching new projects. In the three-month period from February to April 2020, only few new projects were launched. According to the figures from the Land Registry, the volume and value of new home sales registrations fell 48.9% and 49.2% respectively in the first half of 2020 as compared with the corresponding period of 2019.

Benefitted from the relaxation of the mortgage ceiling implemented by the government last October, the market of the secondary residential properties worth HK$10 million or below performed relatively better. According to the figures from the Land Registry, the volume of secondary home sales registrations only posted a year-on-year decline of 5.1% in the first six months of the year. Under the government’s new initiatives, the mortgage ceiling for those residential properties worth between HK$6 million to HK$8 million has been relaxed the most. Consequently, the sales volume pertaining to this price range bucked the trend and posted a growth of about 30%.

Market Gradually Recovered in Second Quarter of 2020

The market improved markedly in the second quarter of 2020, mainly due to the efforts made by the governments around the world to stabilise the economy. The general market consensus was that interest rate would stay nearly zero for a certain period of time. Moreover, Mainland China and Hong Kong have performed better than most of the western countries in infection prevention and control, making the local market confident on its economic recovery. As the second wave of the outbreak subsided, the Hong Kong government relaxed the prevention measures and the local economy once showed signs of rebound. According to the Midland Property Price Index, property prices of local residential properties bottomed out in late April 2020, and had risen by approximately 4% till July. The 10-month market consolidation which began in June 2019 ended.

Strived to Thrive in Adversity with the Use of Digital Sales Tools

Without a doubt, 2020 has been a difficult year for the Hong Kong property market. Although the COVID-19 pandemic has once brought economic activities to a standstill, the Group has remained determined to continue its operation. The Group has strived its best to maintain normal services and operation, expedite the marketing strategies for the stay-at-home economy and actively exploit online platforms, video-conferencing facilities, and other deployment of technological applications.

Despite the challenging operating environment, Midland Realty, the Group's flagship business unit, was able to make a profit. Benefitted from the Hong Kong government's relaxation of the mortgage ceiling and the reduction in new home supply, the Group has gained ground in the secondary property market. The Group has always been committed to expanding its digital presence, and the business initiatives on this front have paid off in the current environment. In the first half of 2020, the number of enquiries received by the Group's omni-channel, including live-chat service, customer service hotline, social media, WhatsApp, email, and online property viewing appointment booking averaged over 20,000 per month, representing a significant increase of 85% as compared with that of the second half of 2019. In particular, the number of successful business conversions from enquiries received by our live-chat service registered a half-on-half growth of 31%.

In response to the impact caused by the pandemic, Midland Realty has proactively produced property video clips, and our agents become the online property experts to conduct virtual property tours. Customers are able to view properties at any time through this brand new channel. The platform of Midland Realty already has had features such as property video clips and 3-D property viewings for few years. The Group's early kick-start in digital investment has paid off and brought ease of operation during the pandemic. The market response to such contactless viewings has been strong and the number of views has hit 9 million times.

Seized the Chance to Step Up Cost Control and Streamline Business

While secondary market in Hong Kong improved slightly in the second quarter of 2020 which benefitted the Group's core brand Midland Realty, developers slowed down the launch of new projects, and Hong Kong property market remained extremely challenging. In addition, the Group's operation in Mainland China also went through a trying time, as the lockdown measures imposed by the central government to combat the pandemic in the first few months of the year froze property market. Despite the market improvements in recent months, the Group's mainland operation has not yet fully resumed. Management has stepped up cost control efforts. The Group continued its efforts to seek rental reduction, and received favourable response from most of the landlords.

OUTLOOK

Economic Impact of Pandemic and US-China Trade Dispute Slow to Ease

Looking ahead to the second half of 2020, the global economy is expected to remain weak due to the global COVID-19 pandemic not yet under control. Hong Kong is experiencing the third wave with signs of community outbreak. The Hong Kong government has tightened prevention measures, leading to a complete standstill for certain economic activities, such as tourism. Unemployment rate is expected to continue to rise, bringing uncertainties to the future of the property market.

Internationally, the further worsening of the relationship between the US and Mainland China led to the revocation of Hong Kong's special status with the US, which is expected to bring limited direct economic impacts to Hong Kong. According to the government's figures, Hong Kong's domestic exports to the US only accounted for around 0.1% of its total exports in 2019, indicating that the impacts of an increase in US custom duty and tariff would be insignificant. However, the tension between the US and Mainland China are casting shadows onto the prospects of Hong Kong's economy and property market.

Hong Kong's Financial Status Remains Robust

The local economy is facing challenges both internally and externally, but the Chinese economy has been gradually recovering because of the swiftness in containing the COVID-19 pandemic. After shrinking by 6.8% year-on-year in the first quarter, the GDP of Mainland China posted a 3.2% year-on-year growth in the second quarter of 2020. Hong Kong is expected to benefit from the strong economic performance of Mainland China. The recent listings of Alibaba, JD.com and NetEase in Hong Kong have further demonstrated the role of Hong Kong as an international financial centre. It is expected that more Mainland Chinese IT giants and unicorns listed in the US will have their secondary listings in Hong Kong, providing important support and impetus to the Hong Kong economy.

Property Market Resilience

The property market in Hong Kong has experienced five consolidations in the recent decade, in which they all shared two commonalities. Firstly, the price correction was mild. Secondly, they did not last long and the recoveries took their own course. The most recent consolidation which took place between June 2019 and April 2020 should have been the most severe one as it suffered the triple blows of the intensification of the social events, deterioration of the relationship between the US and Mainland China, and the COVID-19 outbreak. However, local property prices remained stable, dropping less than 10% during that period. The prices rose by approximately 4% from late April to July 2020. The resilience of the local property market suggests that its fundamentals are strong.

The low interest environment and limited supply, coupled with the Hong Kong government's relaxation of the mortgage ceiling, are expected to provide continued support for the local property market. Following the relaxation of the mortgage ceiling, the small-to-medium sized units are expected to fare well. The luxury units are likely to benefit from the government's shelving of the vacancy tax. If the pandemic in Hong Kong was to be contained in the second half of 2020, it is expected that developers would speed up the pace of launching new projects, which would fuel a strong recovery in the sales activities in the primary residential market.

Built a Comprehensive Platform to Prepare for Market Recovery

The COVID-19 has brought about massive challenges and impacts, but we are certain that the pandemic will someday be contained. The local home prices during the past 12 months showed resilience. When the dust settles, transaction activities are likely to stage a strong recovery, and the Group is preparing for it. The number of agency outlets in Hong Kong has resumed its uptrend recently after falling for more than a year. The Group is confident that its continued investment in technological innovation and digital applications will help it to differentiate itself from the traditional property agents. During the reporting period, the Group has been proactively building a comprehensive sales platform. The Group will continue to invest in the development of information and digital technology, so as to strengthen our competitiveness.

The Group will continue to press for progress, meeting challenges head on and working hand in hand with our staff to tide over this difficult time.

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 2020, the Group had cash and bank balances of HK$1,471,491,000 (as at 31 December 2019: HK$1,151,688,000).

As at 30 June 2020, the interest-bearing bank borrowings of the Group amounted to HK$924,700,000 (as at 31 December 2019: HK$489,000,000) and with maturity profile set out as follows:

	As at 30 June 2020 *HK$'000*	As at 31 December 2019 *HK$'000*
Repayable within 1 year	**924,700**	489,000

As at 30 June 2020, the gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, was 71.1% (as at 31 December 2019: 36.9%). Increase in gearing ratio was mainly due to the increase in bank borrowings to meet the short-term funding requirement for the sales of primary residential properties. 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 2019: 1.1). The return on equity, which is the ratio of (loss)/profit for the period over the total equity of the Group, was -1.87% (for the six months ended 30 June 2019: 6.30%).

As at 30 June 2020, the Group has unutilised borrowing facilities amounting to HK$1,745,245,000 (as at 31 December 2019: HK$2,201,556,000) from various banks. The borrowing facilities were granted to the Group on a floating rate basis. 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 30 June 2020, certain land and buildings and investment properties held by the Group of HK$57,912,000 (as at 31 December 2019: HK$58,465,000) and HK$59,147,000 (as at 31 December 2019: HK$61,353,000) 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$2,610,909,000 (as at 31 December 2019: HK$1,917,269,000).

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 2020, the Company executed corporate guarantee of HK$2,751,945,000 (as at 31 December 2019: HK$2,752,556,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2020, banking facilities of HK$970,559,000 were utilised by these subsidiaries (as at 31 December 2019: HK$528,899,000).

Employee information

As at 30 June 2020, the Group employed 7,121 full time employees (as at 31 December 2019: 6,726) of which 6,034 were sales agents, 612 were back office supportive employees and 475 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 does not declare an interim dividend for the Interim Period (2019: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF 2020 INTERIM RESULTS ANNOUNCEMENT 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 Company's 2020 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 unswerving dedication even in the midst of the pandemic of the century. I would also like to take this opportunity to thank our shareholders and customers for their enduring support to the Group. We remain committed to providing quality services in order to lead the Group to a brighter future.

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

Hong Kong, 28 August 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.