美聯工商舖
MIDLAND IC&I
Midland IC&I Limited
美聯工商舖有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 459)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "Board") of Midland IC&I 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 STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
Revenues	*4*	**316,967**	410,999
Other (loss)/income	*5*	**(968)**	3,574
Staff costs		**(154,374)**	(189,495)
Rebate incentives		**(93,553)**	(111,008)
Advertising and promotion expenses		**(5,935)**	(7,478)
Operating lease charges in respect of office and shop premises		**-**	(17,143)
Amortisation of right-of-use assets (lease)		**(16,914)**	-
Depreciation expenses of property and equipment		**(1,861)**	(1,645)
Net impairment losses on financial assets		**(478)**	(9,976)
Other operating costs		**(16,899)**	(15,571)
Operating profit		**25,985**	62,257
Finance income		**5,078**	1,832
Interest on bank loans		**(2,013)**	(79)
Interest on lease liabilities		**(713)**	-
Interest on convertible note		**(3,785)**	(3,632)
Profit before taxation		**24,552**	60,378
Taxation	*6*	**(3,549)**	(10,490)
Profit and total comprehensive income for the period		**21,003**	49,888

** For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) (CONTINUED)

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019	2018
		HK$'000	*HK$'000*
Profit and total comprehensive income attributable to			
Equity holders		**20,967**	49,888
Non-controlling interests		**36**	-
		21,003	49,888
		HK cents	*HK cents*
Earnings per share	*7*		
Basic		**1.16**	2.76
Diluted		**1.15**	2.36

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2019

	Note	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
ASSETS			
Non-current assets			
Property and equipment		**5,149**	6,159
Right-of-use assets		**48,756**	-
Investment properties		**855,300**	855,300
Other financial assets at amortised cost		**16,692**	4,680
Deferred tax assets		**3,014**	2,452
		928,911	868,591
Current assets			
Trade and other receivables	*9*	**239,585**	192,389
Mortgage loan receivables	*10*	**45,175**	-
Tax recoverable		**3,932**	6,926
Cash and cash equivalents		**563,198**	593,214
		851,890	792,529
Total assets		**1,780,801**	1,661,120
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**180,528**	180,528
Share premium		**745,086**	745,086
Reserves		**203,204**	187,291
		1,128,818	1,112,905
Non-controlling interests		**7,797**	7,761
Total equity		**1,136,615**	1,120,666

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)

As at 30 June 2019

	Note	**As at 30 June 2019 HK$'000**	As at 31 December 2018 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**2,275**	1,551
Lease liabilities		**18,284**	-
Bank loan	*12*	**131,000**	131,000
Convertible note	*13*	**185,178**	180,411
		336,737	312,962
Current liabilities			
Trade and other payables	*11*	**256,795**	211,274
Lease liabilities		**36,513**	-
Bank loan	*12*	**4,844**	5,329
Taxation payable		**9,297**	10,889
		307,449	227,492
Total liabilities		**644,186**	540,454
Total equity and liabilities		**1,780,801**	1,661,120

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

The Company is a limited liability company incorporated in the Cayman Islands and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

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

This unaudited condensed consolidated interim financial information has been approved by the Board on 27 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 liability component of convertible note 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 different 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 lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.5%. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. All the recognised right-of-use assets of the Group relate to property leases.

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.

Consolidated balance sheet (extract)

	As at 31 December 2018 As originally presented	Impact on initial adoption of HKFRS 16	As at 1 January 2019 As restated
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	-	35,631	35,631
Non-current liabilities			
Lease liabilities	-	16,087	16,087
Current liabilities			
Lease liabilities	-	24,598	24,598
Equity			
Retained earnings	722,831	(5,054)	717,777

(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	Lease liabilities included in segment liabilities
	HK$'000	*HK$'000*
Commercial properties	14,843	16,531
Industrial properties	12,335	14,350
Shops	21,578	23,916
	48,756	54,797

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 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 statement of comprehensive income 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 statement of comprehensive income 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.

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.

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

(iv) Accounting policies (continued)

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 to be 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		
Agency fee	**304,868**	407,218
Revenues from other sources		
Rental income	**11,214**	3,781
Interest income from credit business	**885**	-
	12,099	3,781
Total revenues	**316,967**	410,999

(b) Segment information

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

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

4 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2019					
	Property agency					
	Commercial properties *HK$'000*	Industrial properties *HK$'000*	Shops *HK$'000*	Properties investment *HK$'000*	Credit business *HK$'000*	Total *HK$'000*
Total revenues	**162,880**	**58,897**	**91,564**	**11,214**	**885**	**325,440**
Inter-segment revenues	**(2,485)**	**(3,084)**	**(2,904)**	**-**	**-**	**(8,473)**
Revenues from external customers	**160,395**	**55,813**	**88,660**	**11,214**	**885**	**316,967**
Timing of revenue recognition						
- **At a point in time**	**160,395**	**55,813**	**88,660**	**-**	**-**	**304,868**
Rental income	**-**	**-**	**-**	**11,214**	**-**	**11,214**
Interest income	**-**	**-**	**-**	**-**	**885**	**885**
	160,395	**55,813**	**88,660**	**11,214**	**885**	**316,967**
Segment results	**23,518**	**11,138**	**(2,331)**	**8,471**	**619**	**41,415**
Amortisation of right-of-use assets (lease)	**(6,196)**	**(3,685)**	**(7,033)**	**-**	**-**	**(16,914)**
Depreciation expenses of property and equipment	**(90)**	**(325)**	**(1,295)**	**(111)**	**-**	**(1,821)**
Net reversal of impairment/(impairment) losses on financial assets	**103**	**1,095**	**(1,676)**	**-**	**-**	**(478)**
Additions to non-current assets	**38**	**21**	**634**	**123**	**-**	**816**

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				
	Commercial properties *HK$'000*	Industrial properties *HK$'000*	Shops *HK$'000*	Properties investment *HK$'000*	Total *HK$'000*
Total revenues	152,773	127,753	140,570	3,781	424,877
Inter-segment revenues	(3,987)	(7,834)	(2,057)	-	(13,878)
Revenues from external customers	148,786	119,919	138,513	3,781	410,999
Timing of revenue recognition					
- At a point in time	148,786	119,919	138,513	-	407,218
Rental income	-	-	-	3,781	3,781
	148,786	119,919	138,513	3,781	410,999
Segment results	25,059	16,856	30,777	4,382	77,074
Fair value gain on investment properties	-	-	-	2,523	2,523
Depreciation expenses of property and equipment	(104)	(537)	(958)	-	(1,599)
Net (impairment)/ reversal of impairment losses on financial assets	(1,566)	1,977	(10,387)	-	(9,976)
Additions to non-current assets	73	425	1,521	372,479	374,498

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Fair value (loss)/gain on convertible note, corporate expenses, finance income, interest on bank loans, interest on convertible note 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 statement of comprehensive income. The reporting revenue from external customers is the same as the total revenue per condensed consolidated statement of comprehensive income.

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	**41,415**	77,074
Fair value (loss)/ gain on convertible note	**(982)**	713
Corporate expenses	**(15,161)**	(15,530)
Finance income	**5,078**	1,832
Interest on bank loans	**(2,013)**	(79)
Interest on convertible note	**(3,785)**	(3,632)
Profit before taxation per consolidated statement of comprehensive income	**24,552**	60,378

Segment assets and liabilities exclude other financial assets at amortised cost, corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reportable segment:

	As at 30 June 2019					
	Property agency					
	Commercial properties	**Industrial properties**	**Shops**	**Properties investment**	**Credit business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**117,862**	**65,109**	**102,847**	**859,791**	**45,175**	**1,190,784**
Segment liabilities	**127,023**	**82,101**	**84,144**	**151,041**	**6**	**444,315**

	As at 31 December 2018				
	Property agency				
	Commercial properties	Industrial properties	Shops	Properties investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	71,782	64,894	61,479	857,234	1,055,389
Segment liabilities	64,593	84,955	44,956	152,610	347,114

4 Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
Segment assets	**1,190,784**	1,055,389
Corporate assets	**570,311**	598,599
Other financial assets at amortised cost	**16,692**	4,680
Deferred tax assets	**3,014**	2,452
Total assets per consolidated balance sheet	**1,780,801**	1,661,120

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
Segment liabilities	**444,315**	347,114
Corporate liabilities	**197,596**	191,789
Deferred tax liabilities	**2,275**	1,551
Total liabilities per consolidated balance sheet	**644,186**	540,454

5 Other (loss)/income

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Fair value gain on investment properties	**-**	2,523
Fair value (loss)/ gain on convertible note	**(982)**	713
Others	**14**	338
	(968)	3,574

6 Taxation

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**3,387**	9,549
Deferred	**162**	941
	3,549	10,490

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.

7 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	**20,967**	49,888
Effect on conversion of convertible note	**4,767**	2,919
Profit for calculation of diluted earnings per share	**25,734**	52,807
Weighted average number of shares for calculation of basic earnings per share (thousands)	**1,805,283**	1,805,283
Effect on conversion of convertible note (thousands)	**434,783**	434,783
Weighted average number of shares for calculation of diluted earnings per share (thousands)	**2,240,066**	2,240,066
Basic earnings per share (HK cents)	**1.16**	2.76
Diluted earnings per share (HK cents)	**1.15**	2.36

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 weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from the convertible note. The convertible note is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the related expenses.

Diluted earnings per share for both periods did not assume the exercise of share option since the exercise of share options would have an anti-dilutive effect.

8 Interim dividend

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: Nil).

9 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 the 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 2019	As at 31 December 2018
	HK$'000	*HK$'000*
Current (not yet due)	**149,565**	135,398
Less than 30 days past due	**38,247**	13,146
31 to 60 days past due	**14,121**	5,700
61 to 90 days past due	**4,536**	8,989
More than 90 days past due	**8,398**	5,830
	214,867	169,063

10 Mortgage loan receivables

A maturity profile of the mortgage 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	As at 31 December 2018
	HK$'000	*HK$'000*
Current (not yet due)	**45,175**	-

11 Trade and other payables

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK$35,083,000 (as at 31 December 2018: HK$21,020,000) which are due for payment within 30 days after period end, and all the remaining commissions and rebate payables are not yet due.

12 Bank loans

The Group's bank loans are repayable as follows:

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Secured bank loan with repayment on demand clause		
Within 1 year	**1,016**	988
After 1 year but within 2 years	**1,126**	1,016
After 2 years but within 5 years	**2,702**	3,231
Over 5 years	**-**	94
	4,844	5,329
Secured bank loan repayable over 5 years	**131,000**	131,000
	135,844	136,329

The bank loan with outstanding balance of HK$4,844,000 (as at 31 December 2018: HK$5,329,000) contains a repayment on demand clause and is classified as current liabilities. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The bank loans are secured by investment properties of HK$288,100,000 (as at 31 December 2018: HK$288,100,000) held by the Group and corporate guarantee given by the Company.

The Group's bank loans are denominated in Hong Kong dollars.

13 Convertible note

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due 22 March 2021 ("Maturity Date"), in the aggregate principal amount of HK$200 million as part of the consideration of the acquisition of a subsidiary. The holder of the convertible note shall have the right to convert on or before the Maturity Date the whole or any part of the principal amount of the convertible note into fully paid ordinary shares of the Company with a par value of HK$0.10 (after the effect of share consolidation) each at an initial conversion price of HK$0.46 (after the effect of share consolidation) per ordinary share of the Company. Unless previously converted, purchased or cancelled, this note will be redeemed at their principal amount on the Maturity Date.

The movement of the liability component of convertible note recognised in the condensed consolidated balance sheet is set out below:

	2019 ***HK$'000***
At 1 January	**180,411**
Interest expenses	**3,785**
Fair value loss	**982**
At 30 June	**185,178**

The carrying amount of the liability component which approximates its fair value is calculated using cash flows discounted at market interest rate of 4.56% per annum as at 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that revenue of approximately HK$316,967,000 was recorded for the six months ended 30 June 2019, which marked a decrease of 23%. The net profit attributable to equity holders amounted to HK$20,967,000, representing a drop of 58% as compared to HK$49,888,000 for the corresponding period in 2018.

Sluggish Property Market Sentiment

Despite the fact that the trade truce in late 2018 and the change in the interest rate hike expectation, to a certain extent, provided relief to the market, and brought significant impact on the residential sector, the benefit to the non-residential sector was still limited. During the reporting period, transaction volume of the non-residential properties fell considerably.

Amidst an unfavourable business environment, many companies adjusted expansion plans, weakening the overall demand in the office sector. The retail property sector did not fare well either. Although the recent completion of cross-border infrastructures boosted visitor numbers, the growth in visitor arrivals did not benefit the retail industry. Retail sales volume slumped for five months in a row, from February to June 2019. According to the Census and Statistics Department, the GDP growth of the local economy in the first quarter of 2019 stood at 0.6%, the lowest in almost ten years.

As the China-US trade was in a stalemate, investment demands stalled and property investment activities slowed down. Despite the resumption of trade negotiations in May this year, investors were still cautious, which led to the continuous deterioration of the investment market.

Overcame Challenges to Broker Remarkable Deals

During the reporting period, the effort of deepening the rental sector had achieved remarkable results. In the first half of 2019, the Group brokered a number of mega rental deals, including the leasing of the entire 65th floor of The Center at 99 Queen’s Road Central in Central with monthly rental at approximately HK$2.7 million.

In addition, despite the challenging market conditions, the Group brokered a number of high value transactions, among which the three notable transactions were the Far East Finance Centre, COSCO Tower, and The Center at HK$227 million, HK$148 million, and HK$102 million, respectively.

OUTLOOK

Global Economic Growth Remains Weak

Recently, the China-US trade war has been intensifying. The bilateral trade conflicts are expected to continue to bring adverse impacts to the global economy. The Renminbi-US dollar exchange rate dropped below the threshold of 7 will pose a severe hit on the retail market. Intensification of geopolitical tensions including the Brexit stalemate, US sanctions on Iranian oil exports, and the trade dispute between Japan and South Korea, will further drag down the pace of global economic growth. Locally, the social events have continued to put pressure on the local economy, posing a significant blow to business expansion and retail sales. The local consumption demand is expected to remain weak.

Transaction volume of office sector may increase in second half

As global economic risks exacerbated, growth in the China market fell correspondingly. According to the National Bureau of Statistics in China, the country's GDP growth slowed to 6.2% in the second quarter of 2019, the lowest in 27 years. However, the growth is still spectacular for an economy that is worth approximately US$14 trillion. While the China-US trade disputes may affect the import and export trade, domestic demand may grow under the guidance of Chinese government's economic measures, and to a certain extent help to stimulate economic development, thereby creating favourable conditions for the growth of the economies in China and its neighboring regions. As the downward pressures on the economy are mounting, the US and the European Union signaled the possibility of further interest rate cut, and the European Central Bank may even broaden stimulus measures. Amidst a low interest rate environment, pragmatic investors may re-enter the market to pick up bargains, which would bring support to the market.

Despite the market is now full of challenges, it is believed that investors taking a long-term view may step in the market. In the first half of 2019, developers held back due to the lack of market momentum. However, as some new non-residential projects may be launched in the second half of 2019, transaction activity in the office sector may improve if the sale of such projects is satisfactory.

Pursue diversification to accommodate market changes

The Group has adopted diversification strategy and both credit business and the property investments division delivered positive contribution to the Group. In addition, the Group has made bond investments to optimize and broaden the sources of revenue.

Looking ahead, the Group will continue to adopt a prudent investment strategy, keep abreast of the market, and take appropriate actions in response to market changes, so as to strengthen its market position, and create better value for its shareholders.

FINANCIAL REVIEW

Liquidity, financial resources and funding

As at 30 June 2019, the Group had cash and cash equivalents of HK$563,198,000 (as at 31 December 2018: HK$593,214,000) and bonds investment of HK$16,692,000 (as at 31 December 2018: HK$4,680,000), whilst bank loans amounted to HK$135,844,000 (as at 31 December 2018: HK$136,329,000) and unsecured zero coupon convertible note of HK$185,178,000 (as at 31 December 2018: HK$180,411,000).

The maturity profile of the Group's borrowings is set out as follows:

	As at 30 June 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Secured bank loan with repayment on demand clause *(note)*		
- repayable within 1 year	**1,016**	988
- repayable after 1 year but within 2 years	**1,126**	1,016
- repayable after 2 years but within 5 years	**2,702**	3,231
- repayable over 5 years	**-**	94
	4,844	5,329
Secured bank loan repayable over 5 years	**131,000**	131,000
	135,844	136,329
Convertible note		
- repayable after 1 year but within 2 years	**185,178**	-
- repayable after 2 years but within 5 years	**-**	180,411

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Group's bank loans were secured by certain investment properties held by the Group of HK$288,100,000 (as at 31 December 2018: HK$288,100,000). As at 30 June 2019, the Group had unutilised borrowing facilities amounting to HK$15,000,000 (as at 31 December 2018: HK$15,000,000) from a bank. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loans and convertible note are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 30 June 2019, the gearing ratio of the Group was 28.2% (as at 31 December 2018: 28.3%). The gearing ratio is calculated on the basis of the Group's total bank loans and convertible note over total equity of the Group.

The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 2.8 (as at 31 December 2018: 3.5). The return on equity of the Group, which is the ratio of profit for the period over total equity was 1.8% (six months ended 30 June 2018: 4.5%).

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its available cash so as to generate investment return to enhance the Group's financial position. The criteria for selection of investments will include (i) the risk profile involved and not speculative in nature; (ii) the liquidity of an investment; (iii) the after tax equivalent yield of an investment; and (iv) structurally products are prohibited. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities with good credit quality. Investment in fixed income products are structured in different maturity profile to cater for ongoing business development. As at 30 June 2019, the Group has short term bank deposits of HK$479,548,000 (as at 31 December 2018: HK$519,571,000) and bonds investment of HK$16,692,000 (as at 31 December 2018: HK$4,680,000).

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

The Group's income and monetary assets and liabilities are mainly denominated in Hong Kong dollars. The Directors consider that the foreign exchange exposure of the Group is minimal.

Contingent liabilities

As at 30 June 2019, the Company executed corporate guarantees amounting to HK$160,780,000 (as at 31 December 2018: HK$160,780,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 30 June 2019, banking facilities of HK$135,844,000 were utilised by the subsidiaries (as at 31 December 2018: HK$136,329,000).

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

Employee information

As at 30 June 2019, the Group employed 723 full-time employees (as at 31 December 2018: 770).

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 statement of comprehensive income 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 statement of comprehensive income are now replaced by amortisation of right-of-use assets and interest expense on lease liabilities.

UNAUDITED AND UNREVIEWED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	As published		For reference only
	Reported under HKFRS 16 **For the six months ended 30 June 2019** ***HK$'000***	*Reported under HKAS 17* For the six months ended 30 June 2018 *HK$'000*	***As if reported under HKAS 17*** **For the six months ended 30 June 2019** ***HK$'000***
Revenues	**316,967**	410,999	**316,967**
Other (loss)/income	**(968)**	3,574	**(968)**
Staff costs	**(154,374)**	(189,495)	**(154,374)**
Rebate incentives	**(93,553)**	(111,008)	**(93,553)**
Advertising and promotion expenses	**(5,935)**	(7,478)	**(5,935)**
Operating lease charges in respect of office and shop premises	**-**	(17,143)	**(16,640)**
Amortisation of right of use assets (lease)	**(16,914)**	-	**-**
Depreciation expenses of property and equipment	**(1,861)**	(1,645)	**(1,861)**
Net impairment losses on financial assets	**(478)**	(9,976)	**(478)**
Other operating costs	**(16,899)**	(15,571)	**(16,899)**
Operating profit	**25,985**	62,257	**26,259**
Finance income	**5,078**	1,832	**5,078**
Interest on bank loans	**(2,013)**	(79)	**(2,013)**
Interest on lease liabilities	**(713)**	-	**-**
Interest on convertible note	**(3,785)**	(3,632)	**(3,785)**
Profit before taxation	**24,552**	60,378	**25,539**
Taxation	**(3,549)**	(10,490)	**(3,549)**
Profit and total comprehensive income for the period	**21,003**	49,888	**21,990**
Profit and total comprehensive income attributable to			
Equity holders	**20,967**	49,888	**21,954**
Non-controlling interests	**36**	-	**36**
	21,003	49,888	**21,990**

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

	As published		For reference only
	Reported under HKFRS 16	*Reported under HKAS 17*	***As if reported under HKAS 17***
	As at 30 June 2019	As at 31 December 2018	**As at 30 June 2019**
	HK$'000	*HK$'000*	***HK$'000***
Non-current assets			
Right-of-use assets	**48,756**	-	**-**
Other non-current assets	**880,155**	868,591	**880,155**
	928,911	868,591	**880,155**
Current assets	**851,890**	792,529	**851,890**
Total assets	**1,780,801**	1,661,120	**1,732,045**
Equity holders			
Share capital and share premium	**925,614**	925,614	**925,614**
Reserves	**203,204**	187,291	**209,245**
	1,128,818	1,112,905	**1,134,859**
Non-controlling interests	**7,797**	7,761	**7,797**
Total equity	**1,136,615**	1,120,666	**1,142,656**
Non-current liabilities			
Lease liabilities	**18,284**	-	**-**
Other non-current liabilities	**318,453**	312,962	**318,453**
	336,737	312,962	**318,453**
Current liabilities			
Lease liabilities	**36,513**	-	**-**
Other current liabilities	**270,936**	227,492	**270,936**
	307,449	227,492	**270,936**
Total liabilities	**644,186**	540,454	**589,389**
Total equity and liabilities	**1,780,801**	1,661,120	**1,732,045**

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Interim Period (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 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.midlandici.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 take this opportunity to express my sincere gratitude to our shareholders and customers, and to our management and staff for their hard work and dedication during the reporting period.

By Order of the Board
Midland IC&I Limited
WONG Hon Shing, Daniel
Chief Executive Officer and Executive Director

Hong Kong, 27 August 2019

As at the date of this announcement, the Board comprises eight Directors, of which three are Executive Directors, namely Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; two are Non-Executive Directors, namely Mr. KAN Chung Nin, Tony and Mr. TSANG Link Carl, Brian (with Mr. WONG Wai Cheong as his alternate); and three are Independent Non-Executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted.