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INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000 (Restated)
Revenues	3	141,384	317,113
Other income/(loss), net	4	2,523	(968)
Staff costs		(93,029)	(154,374)
Rebate incentives		(19,090)	(93,553)
Advertising and promotion expenses		(3,989)	(5,935)
Amortisation of right-of-use assets (lease)		(16,578)	(16,914)
Depreciation of property and equipment		(1,461)	(1,861)
Net impairment losses on financial assets		(2,965)	(478)
Other operating costs		(15,754)	(16,899)
Operating (loss)/profit	5	(8,959)	26,131
Finance income		5,015	4,932
Interest on bank loans		(2,212)	(2,013)
Interest on lease liabilities		(449)	(713)
Interest on convertible note		(3,958)	(3,785)
(Loss)/profit before taxation		(10,563)	24,552
Taxation	6	2,702	(3,549)
(Loss)/profit and total comprehensive (loss)/income for the period		(7,861)	21,003

* For identification purpose only

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

For the six months ended 30 June 2020

	<i>Note</i>	Six months ended 30 June	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Restated)</i>
(Loss)/profit and total comprehensive (loss)/income attributable to :			
Equity holders		(7,784)	20,967
Non-controlling interests		(77)	36
		<u>(7,861)</u>	<u>21,003</u>
(Loss)/earnings per share	<i>7</i>	<i>HK cents</i>	<i>HK cents</i>
Basic		(0.431)	1.161
Diluted		(0.431)	1.149

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2020

		As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment		3,205	4,303
Right-of-use assets		24,783	31,462
Investment properties		838,700	838,700
Financial assets at amortised cost		18,955	22,993
Deferred tax assets		11,627	6,273
		<u>897,270</u>	<u>903,731</u>
Current assets			
Trade and other receivables	9	118,871	107,422
Loan receivables	10	63,510	49,010
Financial assets at amortised cost		5,500	1,599
Tax recoverable		6,105	5,336
Cash and cash equivalents		510,128	543,759
		<u>704,114</u>	<u>707,126</u>
Total assets		<u><u>1,601,384</u></u>	<u><u>1,610,857</u></u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves		154,949	162,733
		<u>1,080,563</u>	<u>1,088,347</u>
Non-controlling interests		<u>7,587</u>	<u>7,664</u>
Total equity		<u><u>1,088,150</u></u>	<u><u>1,096,011</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
(CONTINUED)

As at 30 June 2020

	<i>Note</i>	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Non-current liabilities			
Deferred tax liabilities		4,934	2,874
Lease liabilities		5,204	10,105
Bank loan	<i>11</i>	131,000	131,000
Convertible note	<i>12</i>	-	189,357
		141,138	333,336
Current liabilities			
Trade and other payables	<i>13</i>	145,383	143,358
Amounts due to non-controlling interests	<i>14</i>	210	-
Lease liabilities		23,658	26,560
Bank loan	<i>11</i>	3,854	4,354
Convertible note	<i>12</i>	195,453	-
Taxation payable		3,538	7,238
		372,096	181,510
Total liabilities		513,234	514,846
Total equity and liabilities		1,601,384	1,610,857

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, credit business and securities investment in Hong Kong.

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

This unaudited condensed consolidated interim financial information has been approved by the Board on 27 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 liability component of convertible note 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)

(a) New standards, interpretation and amendments effective in 2020

The adoption of the 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 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.

(c) Restatement of prior year figures

During the year ended 31 December 2019, the directors of the Company (the "Directors") had identified a new operating segment, namely "Securities investment", to assess the Group's performance and allocate resources. With the continuous development and business diversification of the Group, certain expenses and liabilities have been reallocated for management's assessment in current period (note 3 (b)). Accordingly, the comparative figures have been restated to conform with the presentation in the current period.

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000 (Restated)
<i>Revenues from contracts with customers within the scope of HKFRS 15</i>		
Agency fee	129,098	304,868
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<i>Revenues from other sources</i>		
Rental income	9,195	11,214
Interest income from credit business	2,413	885
Interest income from securities investment	678	146
	-----	-----
	12,286	12,245
	-----	-----
	141,384	317,113
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3 Revenues and segment information (continued)

(b) Segment information

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

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

	Six months ended 30 June 2020						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	57,974	28,655	49,183	9,195	2,413	678	148,098
Inter-segment revenues	(2,877)	(1,203)	(2,634)	-	-	-	(6,714)
Revenues from external customers	55,097	27,452	46,549	9,195	2,413	678	141,384
Timing of revenue recognition							
- At a point in time	55,097	27,452	46,549	-	-	-	129,098
Rental income	-	-	-	9,195	-	-	9,195
Interest income	-	-	-	-	2,413	678	3,091
	55,097	27,452	46,549	9,195	2,413	678	141,384
Segment results	(1,703)	(448)	(13,687)	6,292	1,330	678	(7,538)
Amortisation of right-of-use assets (lease)	(7,130)	(3,472)	(5,976)	-	-	-	(16,578)
Depreciation of property and equipment	(60)	(148)	(1,220)	(30)	(3)	-	(1,461)
Net reversal of impairment / (impairment losses) on financial assets	537	194	(3,696)	-	-	-	(2,965)
Additions to non-current assets	8	69	26	30	1	-	134

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 (Restated)						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	162,880	58,897	91,564	11,214	885	146	325,586
Inter-segment revenues	(2,485)	(3,084)	(2,904)	-	-	-	(8,473)
Revenues from external customers	160,395	55,813	88,660	11,214	885	146	317,113
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	146	1,031
	160,395	55,813	88,660	11,214	885	146	317,113
Segment results	18,279	8,597	(6,438)	8,471	619	146	29,674
Amortisation of right-of-use assets (lease)	(6,196)	(3,685)	(7,033)	-	-	-	(16,914)
Depreciation of property and equipment	(92)	(333)	(1,325)	(111)	-	-	(1,861)
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

3 Revenues and segment information (continued)

(b) Segment information (continued)

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Government subsidy, fair value loss 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 revenue per condensed consolidated statement of comprehensive income.

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 (Restated)
Segment results for reportable segments	(7,538)	29,674
Government subsidy	4,609	-
Fair value loss on convertible note	(2,138)	(982)
Corporate expenses	(4,341)	(3,274)
Finance income	5,015	4,932
Interest on bank loans	(2,212)	(2,013)
Interest on convertible note	(3,958)	(3,785)
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(Loss)/profit before taxation per condensed consolidated statement of comprehensive income	(10,563)	24,552
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Segment assets and liabilities exclude 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 2020						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	69,938	27,444	45,717	842,249	63,850	24,455	1,073,653
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment liabilities	66,350	30,146	42,383	17,355	590	-	156,824
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

3 Revenues and segment information (continued)

(b) Segment information (continued)

	As at 31 December 2019 (Restated)						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	62,619	28,364	49,887	840,821	49,169	24,592	1,055,452
Segment liabilities	71,238	40,144	42,653	20,896	321	-	175,252

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Segment assets	1,073,653	1,055,452
Corporate assets	516,104	549,132
Deferred tax assets	11,627	6,273
Total assets per condensed consolidated balance sheet	<u>1,601,384</u>	<u>1,610,857</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000 (Restated)
Segment liabilities	156,824	175,252
Corporate liabilities	351,476	336,720
Deferred tax liabilities	4,934	2,874
Total liabilities per condensed consolidated balance sheet	<u>513,234</u>	<u>514,846</u>

4 Other income/(loss), net

	Six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Fair value loss on convertible note	(2,138)	(982)
Government subsidy	4,609	-
Others	52	14
	<u>2,523</u>	<u>(968)</u>

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 #	1,597	1,922
– did not generate rental income #	202	-
Office and branch operating expenses (remark)	5,677	6,578
Government rent and rates, building management fee of leased properties	2,767	3,614
Auditor's remuneration		
– audit services	629	629
– interim results review	343	343
	<u> </u>	<u> </u>

direct operating expenses of HK\$549,000 (for the six months ended 30 June 2019: HK\$728,000) were included in other operating costs.

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

6 Taxation

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current		
Hong Kong profits tax	592	3,387
Deferred taxation	(3,294)	162
	<u> </u>	<u> </u>
	<u>(2,702)</u>	<u>3,549</u>

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.

7 (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	(7,784)	20,967
Effect on conversion of convertible note	-	4,767
	<hr/>	<hr/>
(Loss)/profit for calculation of diluted (loss)/earnings per share	(7,784)	25,734
	<hr/> <hr/>	<hr/> <hr/>
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
	<hr/>	<hr/>
Weighted average number of shares for calculation of diluted earnings per share (thousands)	1,805,283	2,240,066
	<hr/> <hr/>	<hr/> <hr/>
Basic (loss)/earnings per share (HK cents)	(0.431)	1.161
Diluted (loss)/earnings per share (HK cents)	(0.431)	1.149
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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.

In calculating the diluted (loss)/earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options and the convertible note. The convertible note is assumed to have been converted into ordinary shares and the result is adjusted to eliminate the related expenses.

For the period ended 30 June 2020, no adjustment has been made to the loss attributable to equity holders and the weighted average number of shares as the exercise of the convertible note would have an anti-dilutive effect.

Diluted earnings per share for the period ended 30 June 2019 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 declare an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 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 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 HK\$'000	As at 31 December 2019 HK\$'000
Current (not yet due)	84,768	72,064
Less than 30 days past due	8,111	9,962
31 to 60 days past due	2,947	1,765
61 to 90 days past due	1,387	1,994
More than 90 days past due	964	1,461
	<u>98,177</u>	<u>87,246</u>

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:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Current (not yet due)	<u>63,510</u>	<u>49,010</u>

11 Bank loans

The Group's bank loans are repayable as follows:

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Secured bank loan with repayment on demand clause		
- repayable within 1 year	1,046	1,016
- repayable after 1 year but within 2 years	1,069	1,312
- repayable after 2 years but within 5 years	1,739	2,026
	<u>3,854</u>	<u>4,354</u>
Secured bank loan repayable		
- repayable after 2 years but within 5 years	131,000	-
- repayable over 5 years	-	131,000
	<u>134,854</u>	<u>135,354</u>

11 Bank loans (continued)

The bank loan with outstanding balance of HK\$3,854,000 (as at 31 December 2019: HK\$ 4,354,000) 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 2019: 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.

12 Convertible note

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due on 22 March 2021 (the "Maturity Date") to Mr. WONG Kin Yip, Freddie, who is the director of the Company and the father of Ms. WONG Ching Yi, Angela, a director of the Company, 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:

	2020 HK\$'000
At 1 January	189,357
Interest expenses	3,958
Fair value loss	2,138
At 30 June	195,453

13 Trade and other payables

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$11,539,000 (as at 31 December 2019: HK\$21,817,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period end, and all the remaining commissions and rebate payables are not yet due.

14 Amounts due to non-controlling interests

The amounts are unsecured, interest free and repayable on demand.

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 11 Operating (loss)/profit of the Group as disclosed on page 95 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 #	3,843	3,416
Office and branch operating expenses (remark)	12,947	13,136
Government rent and rates, building management fee of leased properties	6,532	5,778
Insurance expenses	2,212	1,854
Bank charges	1,058	1,243
Auditor's remuneration		
– audit services	1,257	1,373
– interim results review	343	343
	=====	=====

direct operating expenses of HK\$1,521,000 (2018: HK\$1,217,000) were included in other operating costs.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Midland IC&I Limited and its subsidiaries announce that the Group recorded a revenue of HK\$141,384,000 for the six months ended 30 June 2020 (for the six months ended 30 June 2019: revenue of HK\$317,113,000). Loss attributable to equity holders amounted to HK\$7,784,000 (for the six months ended 30 June 2019: profit attributable to equity holders of HK\$20,967,000).

The net loss recorded in the reporting period was mainly attributable to the adverse market conditions caused by the unprecedented COVID-19 pandemic and the associated combating measures which led to a significant drop in the transaction value and volume of the non-residential properties in Hong Kong in the first six months of 2020 as compared with those for the corresponding period in 2019.

Multiple factors weakened market performance

During the reporting period, the continued escalation of local social tensions, deterioration of US-China relations, and the COVID-19 outbreak brought the non-residential market to its knees. The cycles of the three sub-segments of the non-residential sector used to move out of sync. Consequently, the weakness of one could be offset by the strength of the others. However, affected by the overall economic conditions in recent years, all the sub-segments tended to move in tandem. According to our own tally, the number of registration of non-residential properties in the first half of 2020 amounted to 3,554, representing a drop of approximately 18.7% from 4,374 in the second half of 2019. The value of registration amounted to approximately HK\$24.512 billion, representing a decrease of approximately 59.4% from HK\$60.355 billion in the second half of 2019.

During the pandemic, the Hong Kong government has implemented strict control measures for arrivals, significantly reducing the number of foreign visitors. The number of tourist arrivals plummeted by nearly 90% in the first half of 2020 as compared with that in the corresponding period last year. In addition, locals have reduced going out and cut spending due to the pandemic, dealing a further blow to the retail industry. According to the Census and Statistics Department, in the first half of 2020, the value of total retail sales was provisionally estimated to decrease by 33.3% year-on-year, affecting the performance of the retail shop market. According to our own tally, the number of sales registrations of shop properties per month averaged about 133 transactions over the five-year period from 2015 to 2019, but such figures fell short of 100 transactions since the first half of 2020. Moreover, the grim economic outlook has hindered corporate expansion, resulting in a sharp drop in demand for office properties. The number of registrations of office properties fell by 58% in the first six months of 2020 as compared with those for the corresponding period in 2019.

For industrial properties, the number of registrations dropped by 57% in the first half of 2020 as compared with those for the corresponding period in 2019. This sub-segment is mainly supported by the industrialists who have manufacturing bases in Mainland China. They usually play a dual role of end-users and investors for the industrial premises. Due to the lockdown measures in the first few months of the year in Mainland China and the imposition of the trade tariffs by the US, the market for industrial properties was hit particularly hard.

Strive for cost structure optimisation

In this difficult operating environment, the Group adjusted its operating strategy in a timely manner based on the circumstances, and aimed to optimize its cost structure. The Group has implemented various cost-control measures, including cutting advertising expenses, in response to the present challenges.

OUTLOOK

Pandemic cast uncertainties on economic outlook

Despite the fact that the US and China have signed the Phase One Economic and Trade Agreement, the pandemic has made the US-China relations difficult to predict. The conflicts are expected to linger, casting doubt on the economic outlook. Furthermore, the work-from-home model has gained prevalence during the pandemic, cutting demand for office space, posing a threat on the office properties market. Meanwhile, the prevention measures encouraged shoppers staying at home may give rise to a change in the mode of consumption to online. If shoppers continue to prefer the convenience and speed of online shopping even after the pandemic has subsided, it would exert pressure on the retail shop market.

Seize opportunities amid crisis for possible rebound

The spread of the pandemic has stoked volatility in the global financial market. The central banks of various nations have relaxed their monetary policies as an economic stimulus. Low interest rates are expected to reinvigorate investors demand, bringing support to the market. As the outbreak has been largely contained in Mainland China, the consumer and investor sentiments in Mainland China are gradually recovering. As Hong Kong is intertwined with Mainland China, the recovery of Mainland China's economy will help stabilise that of Hong Kong.

Led by the listing of Alibaba in Hong Kong in 2019, the listing boom of the mainland enterprises, especially the tech giants, is believed to help strengthen Hong Kong's role as an international financial centre, driving up local office rental and sales transactions.

Based on past experience, veteran investors usually take a long term view in entering the market. When the COVID-19 pandemic and the overall economy become stable, it is expected that transaction volume will rebound and Hong Kong property market will normalize. Indeed, recently some deep-pocket investors sense that prices and rents may be near rock bottom and they have started preparing for bottom fishing. The relaxation of mortgage ceiling by Hong Kong Monetary Authority is expected to be the catalyst for the revival of the sales activities of the non-residential properties.

Diversified strategy delivers

The Group has always pursued a diversified strategy, so as to improve its competitiveness. In the first six months of 2020, the Group's diversification strategy paid off, and our credit business was able to make a profit during the economic downturn.

The Group's investment properties still made profits and contributed positively despite the decline in occupancy rate and rental income. However, the rental market is not expected to pick up if the pandemic lingers. Regardless of the development of the market conditions, the Group will continue to seek for suitable tenants for its investment properties and to raise the occupancy rate together with the rental income.

Meanwhile, the Group keeps abreast of the time and continues to explore new marketing strategies. In the era of minimising social interactions and to facilitate sales, the Group has been proactively producing property video clips and conducting marketing programs through digital platform. The Group will also expedite the process of rejuvenating the sales force so as to match with the ever changing needs of our customers.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2020, the Group had cash and cash equivalents of HK\$510,128,000 (as at 31 December 2019: HK\$543,759,000) and bonds investment of HK\$24,455,000 (as at 31 December 2019: HK\$24,592,000), whilst bank loans amounted to HK\$134,854,000 (as at 31 December 2019: HK\$135,354,000) and unsecured zero coupon convertible note amounted to HK\$195,453,000 (as at 31 December 2019: HK\$189,357,000).

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

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Secured bank loan with repayment on demand clause (<i>note</i>)		
- repayable within 1 year	1,046	1,016
- repayable after 1 year but within 2 years	1,069	1,312
- repayable after 2 years but within 5 years	1,739	2,026
	<u>3,854</u>	<u>4,354</u>
Secured bank loan		
- repayable after 2 years but within 5 years	131,000	-
- repayable over 5 years	-	131,000
	<u>134,854</u>	<u>135,354</u>
Convertible note		
- repayable within 1 year	195,453	-
- repayable after 1 year but within 2 years	-	189,357
	<u>195,453</u>	<u>189,357</u>

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 2019: HK\$288,100,000). As at 30 June 2020, the Group had unutilised borrowing facilities amounting to HK\$15,000,000 (as at 31 December 2019: 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 2020, the gearing ratio of the Group was 30.4% (as at 31 December 2019: 29.6%). 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 1.9 (as at 31 December 2019: 3.9). The drop in current ratio mainly due to the classification of convertible note, which will mature in March 2021, from non-current liabilities as at 31 December 2019 to current liabilities as at 30 June 2020. The return on equity of the Group, which is the ratio of (loss)/profit for the period over total equity was -0.7% (for the six months ended 30 June 2019: 1.8%).

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) structured 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 2020, the Group has short term bank deposits of HK\$431,855,000 (as at 31 December 2019: HK\$469,981,000) and bonds investment of HK\$24,455,000 (as at 31 December 2019: HK\$24,592,000).

The Directors are of the view that there are sufficient financial resources to satisfy the Group's capital commitments, redemption of convertible note upon maturity 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 2020, the Company executed corporate guarantee amounting to HK\$160,780,000 (as at 31 December 2019: HK\$160,780,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 30 June 2020, banking facilities of HK\$134,854,000 (as at 31 December 2019: HK\$135,354,000) were utilised by these subsidiaries.

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

Employee information

As at 30 June 2020, the Group employed 614 full-time employees (as at 31 December 2019: 640).

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.midlandici.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 take this opportunity to express our sincere gratitude to our shareholders and customers for their support, and to our management and staff for their dedication and contribution 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 2020

As at the date of this announcement, the Board comprises six Directors, of which three are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; and three are Independent Non-Executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted.