

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000 (Restated)
Revenues	4(a)	442,126	628,832
Other loss, net	5	(17,764)	(5,162)
Staff costs		(228,972)	(295,647)
Rebate incentives		(99,093)	(149,681)
Advertising and promotion expenses		(10,976)	(15,227)
Operating lease charges in respect of office and shop premises		-	(36,803)
Amortisation of right-of-use assets (lease)		(34,737)	-
Depreciation of property and equipment		(3,274)	(3,195)
Net impairment losses on financial assets		(28,775)	(18,583)
Other operating costs		(35,801)	(38,386)
Operating (loss)/profit	6	(17,266)	66,148
Finance income	7	10,227	3,801
Interest on bank loans	7	(4,328)	(2,153)
Interest on convertible note	7	(7,713)	(7,400)
Interest on lease liabilities	7	(1,364)	-
(Loss)/profit before taxation		(20,444)	60,396
Taxation	8	843	(12,207)
(Loss)/profit and total comprehensive (loss)/income for the year		(19,601)	48,189

**For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
For the year ended 31 December 2019

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000 (Restated)
(Loss)/profit and total comprehensive (loss)/income attributable to:			
Equity holders		(19,504)	48,148
Non-controlling interests		(97)	41
		<u>(19,601)</u>	<u>48,189</u>
		HK cents	HK cents
(Loss)/earnings per share	<i>10</i>		
Basic		(1.080)	2.667
Diluted		(1.080)	2.497
		<u>(1.080)</u>	<u>2.497</u>

CONSOLIDATED BALANCE SHEET
As at 31 December 2019

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Property and equipment		4,303	6,159
Right-of-use assets		31,462	-
Investment properties	11	838,700	855,300
Financial assets at amortised cost		22,993	4,680
Deferred tax assets		6,273	2,452
		<u>903,731</u>	<u>868,591</u>
		-----	-----
Current assets			
Trade and other receivables	12	107,422	192,389
Loan receivables	13	49,010	-
Financial assets at amortised cost		1,599	-
Tax recoverable		5,336	6,926
Cash and cash equivalents		543,759	593,214
		<u>707,126</u>	<u>792,529</u>
		-----	-----
Total assets		<u><u>1,610,857</u></u>	<u><u>1,661,120</u></u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves		162,733	187,291
		<u>1,088,347</u>	<u>1,112,905</u>
Non-controlling interests		<u>7,664</u>	<u>7,761</u>
		-----	-----
Total equity		<u><u>1,096,011</u></u>	<u><u>1,120,666</u></u>
		-----	-----

CONSOLIDATED BALANCE SHEET (Continued)
As at 31 December 2019

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		2,874	1,551
Lease liabilities		10,105	-
Bank loan	<i>14</i>	131,000	131,000
Convertible note	<i>15</i>	189,357	180,411
		<u>333,336</u>	<u>312,962</u>
		-----	-----
Current liabilities			
Trade and other payables	<i>16</i>	143,358	211,274
Lease liabilities		26,560	-
Bank loan	<i>14</i>	4,354	5,329
Tax payable		7,238	10,889
		<u>181,510</u>	<u>227,492</u>
		-----	-----
Total liabilities		<u>514,846</u>	<u>540,454</u>
		-----	-----
Total equity and liabilities		<u>1,610,857</u>	<u>1,661,120</u>
		=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Group are the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment.

This audited consolidated annual results has been approved by the Board on 26 March 2020.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and liability component of convertible note which are carried at fair values.

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

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

The adoption of other new or revised standards, 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 is not expected to have a material impact on the results of the Group.

(c) Restatement of prior year figures

During the year ended 31 December 2019, the directors of the Company have identified a new operating segment, namely “Securities investment”, to assess the Group’s performance and allocate resources (Note 4(b)). Accordingly, the comparative figures have been restated to conform with the presentation in the current year.

3 Changes in accounting policies upon adoption of new HKFRSs

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

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

3 Changes in accounting policies upon adoption of new HKFRSs (Continued)

(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, but discounted using the lessee’s incremental borrowing rate as of 1 January 2019. All the recognised right-of-use assets of the Group relate to property leases.

The differences between the operating lease commitments discounted using the lessee’s incremental borrowing rate and the total lease liabilities recognised in the consolidated balance sheet at the date of initial application of HKFRS 16 comprised different treatments on lease contracts in relation to termination options or obligations, or under renewal process.

The following table summarises 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 <i>As originally presented</i> HK\$’000	<i>Impact on initial adoption of HKFRS 16</i> HK\$’000	As at 1 January 2019 <i>As restated</i> 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 31 December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

3 Changes in accounting policies upon adoption of new HKFRSs (Continued)

(ii) Impact on segment disclosure (Continued)

	Right-of-use assets included in segment assets HK\$'000	Lease liabilities included in segment liabilities HK\$'000
Commercial properties	10,398	12,186
Industrial properties	5,462	6,638
Shops	15,602	17,841
	<u>31,462</u>	<u>36,665</u>

(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”.

4 Revenues and segment information

(a) Revenues

	2019 HK\$'000	2018 HK\$'000 (Restated)
Revenues from contracts with customers within the scope of HKFRS 15		
Agency fee	<u>416,255</u>	<u>614,252</u>
Revenues from other sources		
Rental income	22,071	14,528
Interest income from credit business	3,084	-
Interest income from securities investment	716	52
	<u>25,871</u>	<u>14,580</u>
Total revenues	<u>442,126</u>	<u>628,832</u>

4 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 and credit business. With the continuous development of the Group, a new operating segment namely “Securities investment” is separately presented. Prior period comparative segment information has been restated accordingly to conform with the presentation in the current year.

Year ended 31 December 2019

	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000
Segment revenues	201,034	92,168	138,354	22,071	3,084	716	457,427
Inter-segment revenues	(3,626)	(5,583)	(6,092)	-	-	-	(15,301)
Revenues from external customers	197,408	86,585	132,262	22,071	3,084	716	442,126
Timing of revenue recognition							
- At a point in time	197,408	86,585	132,262	-	-	-	416,255
Rental income	-	-	-	22,071	-	-	22,071
Interest income	-	-	-	-	3,084	716	3,800
	197,408	86,585	132,262	22,071	3,084	716	442,126
Segment results	7,874	11,942	(8,293)	(3,151)	2,612	716	11,700
Fair value loss on investment properties	-	-	-	(16,600)	-	-	(16,600)
Amortisation of right-of-use assets (lease)	(14,891)	(7,220)	(12,626)	-	-	-	(34,737)
Depreciation of property and equipment	(148)	(491)	(2,484)	(46)	(1)	-	(3,170)
Net impairment losses on financial assets	(16,246)	(890)	(11,639)	-	-	-	(28,775)
Additions to non-current assets	63	162	766	150	17	-	1,158

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

4 Revenues and segment information (Continued)

(b) Segment information (Continued)

Year ended 31 December 2018 (Restated)

	Property agency			Properties investment HK\$'000	Securities investment HK\$'000	Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000			
Segment revenues	245,386	185,358	205,669	14,528	52	650,993
Inter-segment revenues	(6,040)	(12,626)	(3,495)	-	-	(22,161)
Revenues from external customers	<u>239,346</u>	<u>172,732</u>	<u>202,174</u>	<u>14,528</u>	<u>52</u>	<u>628,832</u>
Timing of revenue recognition						
- At a point in time	239,346	172,732	202,174	-	-	614,252
Rental income	-	-	-	14,528	-	14,528
Interest income	-	-	-	-	52	52
	<u>239,346</u>	<u>172,732</u>	<u>202,174</u>	<u>14,528</u>	<u>52</u>	<u>628,832</u>
Segment results	<u>37,368</u>	<u>21,600</u>	<u>34,461</u>	<u>5,170</u>	<u>52</u>	<u>98,651</u>
Fair value loss on investment properties	-	-	-	(4,779)	-	(4,779)
Depreciation of property and equipment	(207)	(919)	(1,974)	(7)	-	(3,107)
Net impairment losses on financial assets	(4,657)	(2,692)	(11,234)	-	-	(18,583)
Additions to non-current assets	<u>222</u>	<u>514</u>	<u>4,840</u>	<u>372,543</u>	<u>-</u>	<u>378,119</u>

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. 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 consolidated statement of comprehensive income. The revenue from external customers is the same as the total revenue per consolidated statement of comprehensive income.

4 Revenues and segment information (Continued)

(b) Segment information (Continued)

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

	2019	2018
	HK\$'000	HK\$'000
		(Restated)
Segment results for reportable segments	11,700	98,651
Fair value loss on convertible note	(1,233)	(389)
Corporate expenses	(29,097)	(32,114)
Finance income	10,227	3,801
Interest on bank loans	(4,328)	(2,153)
Interest on convertible note	(7,713)	(7,400)
	<hr/>	<hr/>
(Loss)/profit before taxation per consolidated statement of comprehensive income	(20,444)	60,396
	<hr/> <hr/>	<hr/> <hr/>

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 31 December 2019

	<u>Property agency</u>			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000				
Segment assets	<u>62,619</u>	<u>28,364</u>	<u>49,887</u>	<u>840,821</u>	<u>49,169</u>	<u>24,592</u>	<u>1,055,452</u>
Segment liabilities	<u>71,238</u>	<u>40,144</u>	<u>42,653</u>	<u>151,896</u>	<u>321</u>	<u>-</u>	<u>306,252</u>

As at 31 December 2018 (Restated)

	<u>Property agency</u>			Properties investment	Securities investment	Total
	Commercial properties	Industrial properties	Shops			
	HK\$'000	HK\$'000	HK\$'000			
Segment assets	<u>71,782</u>	<u>64,894</u>	<u>61,479</u>	<u>857,234</u>	<u>4,680</u>	<u>1,060,069</u>
Segment liabilities	<u>64,593</u>	<u>84,955</u>	<u>44,956</u>	<u>152,610</u>	<u>-</u>	<u>347,114</u>

4 Revenues and segment information (Continued)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2019	2018
	HK\$'000	HK\$'000
		(Restated)
Segment assets	1,055,452	1,060,069
Corporate assets	549,132	598,599
Deferred tax assets	6,273	2,452
	<hr/>	<hr/>
Total assets per consolidated balance sheet	1,610,857	1,661,120
	<hr/> <hr/>	<hr/> <hr/>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2019	2018
	HK\$'000	HK\$'000
Segment liabilities	306,252	347,114
Corporate liabilities	205,720	191,789
Deferred tax liabilities	2,874	1,551
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	514,846	540,454
	<hr/> <hr/>	<hr/> <hr/>

5 Other loss, net

	2019	2018
	HK\$'000	HK\$'000
Fair value loss on investment properties (note 11)	(16,600)	(4,779)
Fair value loss on convertible note (note 15)	(1,233)	(389)
Others	69	6
	<u>(17,764)</u>	<u>(5,162)</u>

6 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
Auditor's remuneration		
- audit services	1,257	1,373
- interim results review	343	343
	<u>3,843</u>	<u>3,416</u>

7 Finance income and costs

	2019	2018
	HK\$'000	HK\$'000
		(Restated)
Finance income		
Bank interest income	10,227	3,801
	-----	-----
Finance costs		
Interest on bank loans	(4,328)	(2,153)
Interest on convertible note (note 15)	(7,713)	(7,400)
Interest on lease liabilities	(1,364)	-
	<u>(13,405)</u>	<u>(9,553)</u>
	-----	-----
Finance costs, net	<u>(3,178)</u>	<u>(5,752)</u>

8 Taxation

	2019 HK\$'000	2018 HK\$'000
Current		
Hong Kong profits tax	1,622	10,477
Under provision in prior years	33	-
Deferred tax	(2,498)	1,730
	<u>(843)</u>	<u>12,207</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

9 Dividend

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

10 (Loss)/earnings per share

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

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit attributable to equity holders	(19,504)	48,148
Effect on conversion of convertible note	-	7,789
	<u>(19,504)</u>	<u>55,937</u>
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
	<u>1,805,283</u>	<u>2,240,066</u>
Basic (loss)/earnings per share (HK cents)	<u>(1.080)</u>	<u>2.667</u>
Diluted (loss)/earnings per share (HK cents)	<u>(1.080)</u>	<u>2.497</u>

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

10 (Loss)/earnings per share (Continued)

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 year ended 31 December 2019, no adjustment has been made to loss attributable to equity holders since the exercise of the convertible note would have an anti-dilutive effect and the weighted average number of shares has not been adjusted as the exercise of the Company's share options and the convertible note would have an anti-dilutive effect.

Diluted earnings per share for the year ended 31 December 2018 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

11 Investment properties

	2019 HK\$'000	2018 HK\$'000
Opening net book amount	855,300	487,600
Additions	-	372,479
Change in fair value recognised in the consolidated statement of comprehensive income (note 5)	(16,600)	(4,779)
Closing net book amount	<u>838,700</u>	<u>855,300</u>

Investment properties of HK\$288,100,000 (2018: HK\$288,100,000) are pledged as security for the Group's bank loans (note 14).

12 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:

	2019 HK\$'000	2018 HK\$'000
Current (not yet due)	72,064	135,398
Less than 30 days past due	9,962	13,146
31 to 60 days past due	1,765	5,700
61 to 90 days past due	1,994	8,989
More than 90 days past due	1,461	5,830
	<u>87,246</u>	<u>169,063</u>

13 Loan receivables

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

	2019 HK\$'000	2018 HK\$'000
Current	<u>49,010</u>	<u>-</u>

14 Bank loans

The Group's bank loans are repayable as follows:

	2019 HK\$'000	2018 HK\$'000
Secured bank loan with repayment on demand clause		
- repayable within 1 year	1,016	988
- repayable after 1 year but within 2 years	1,312	1,016
- repayable after 2 years but within 5 years	2,026	3,231
- repayable over 5 years	-	94
	<u>4,354</u>	<u>5,329</u>
Secured bank loan repayable over 5 years	131,000	131,000
	<u>135,354</u>	<u>136,329</u>

The bank loan with outstanding balance of HK\$4,354,000 (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 Group's bank loans are denominated in Hong Kong dollars.

The bank loans are secured by investment properties of HK\$288,100,000 (2018: HK\$288,100,000) held by the Group (note 11) and corporate guarantee given by the Company.

The effective interest rate of the bank loans is 2.30% to 4.15% (2018: 2.42% to 2.84%). The carrying amount and fair value of the bank loans are as follows:

	Carrying amount		Fair value	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Bank loans	<u>135,354</u>	<u>136,329</u>	<u>135,354</u>	<u>136,329</u>

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 2.30% to 4.15% (2018: 2.42% to 2.84%).

The Group has the following undrawn borrowing facilities:

	2019 HK\$'000	2018 HK\$'000
Floating rates		
Expiring within one year	<u>15,000</u>	<u>15,000</u>

15 Convertible note

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due on 22 March 2021 (the "Maturity Date"), in the aggregate principal amount of HK\$200 million as part of the consideration for 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.

15 Convertible note (Continued)

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

	2019	2018
	HK\$'000	HK\$'000
At the beginning of the year	180,411	172,622
Interest expenses (note 7)	7,713	7,400
Fair value loss (note 5)	1,233	389
	<hr/>	<hr/>
At the end of the year	189,357	180,411
	<hr/> <hr/>	<hr/> <hr/>

16 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\$21,817,000 (2018: HK\$21,020,000) which are due for payment within 30 days after year end, and all the remaining commissions and rebate payables are not yet due.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that for the year ended 31 December 2019, the Group recorded a revenue of HK\$442,126,000 (2018: HK\$628,832,000). Loss attributable to equity holders amounted to HK\$19,504,000 (2018: profit attributable to equity holders amounted to HK\$48,148,000).

During the reporting period, uncertainties gripped the global economy. The protracted China-US trade negotiations, the sluggish progress of Brexit and the local social unrest negatively impacted the economic environment, resulting in a loss for the Group for the year. The loss recorded during the reporting period was mainly attributable to (1) a significant drop in transaction value and volume of the non-residential properties in Hong Kong in 2019 as compared with that in 2018; and (2) a decline in property prices in the market resulting in a fair value loss on revaluation of investment properties held by the Group as at 31 December 2019.

Non-residential properties market conditions remained weak

In 2019, the combined factors of a softened global economy, intensified social tensions and gloomy market outlook adversely affected and weakened the overall performance of the non-residential properties market. Unlike the residential sector, which rebounded in the first half of the year due to various government measures, the non-residential properties market failed to stage a recovery. According to the figures from the Land Registry, the value of registration of non-residential properties in the first half of 2019 dropped by 23.2% as compared with the second half of 2018, and fell by a further 12.8% in the second half of the year, demonstrating how poor the market conditions were.

During the reporting period, the lingering China-US trade disputes dampened business confidence. A number of corporations reduced costs, adjusted and delayed expansion plan, undermining the demand for office space. In addition, the persistent social unrest dealt a heavy blow to the retail sector, affecting the performance of the shops segment. Developers also held off new launches amid the tense social environment.

Despite the deterioration of the overall market conditions, the government failed to provide relief measures to help the non-residential properties market to overcome the difficulties. Had the government relaxed the loan requirements for commercial properties, the market should have recovered at the end of the year.

Strong clientele facilitated transactions

As the market conditions worsened, activities in the property investment market stayed at a relatively low level, as investors in general remained on the sidelines. In the second half of 2019, some of our sales elites leveraged on the Group's strong clientele and approached those clients who have held their properties for several decades. Generally speaking, as their acquisition costs were relatively low, they could still enjoy handsome profits even if the properties were sold in a weak market at a certain discount.

OUTLOOK

The social movement in 2019 has led to a continuous decline in the number of visitors to Hong Kong, hitting the retail industry hard. The retail market recorded a fall of 11% in 2019.

The outbreak of COVID-19 has kept local shoppers at home and severely diminished consumption sentiments. The mandatory quarantine measures implemented by the government have also substantially affected the number of visitors to Hong Kong, exerting more pressure on the local retail industry. Furthermore, more and more companies are adopting the practice of working from home, which will shrink the demands for office spaces and shops and may push the value and rental value downwards. Should the outbreak persist, the progress of the Greater Bay area initiatives might be affected.

At the same time, although the China-US trade negotiations have reached a phase one Economic and Trade Agreement in early 2020 and investors' sentiments have been soothed, but tensions may intensify again after the start of phase two talks and trigger market concerns.

Opportunities amid crises - rebound anticipated in second quarter

Nevertheless, opportunities are to be found amid crises. Social tensions in Hong Kong have eased since the District Council election in November 2019, laying a sound foundation for market revival. Coupled with the relative calm after China and the US signed the phase one Economic and Trade Agreement, market conditions should have been gradually recovering. If the outbreak of COVID-19 could be gradually contained in the first half of the year, based on previous experience, investors with foresight will take advantage of the opportunity and drive the market back on track, transaction volume might bounce back, and overall property prices might stabilise.

In addition, despite the blow to brick-and-mortar retailing resulting from local shoppers staying at home, online shopping is gaining traction. Thus the demand for godowns or warehouses will grow and those industrial buildings with high ceiling are expected to be in high demand.

On a macro level, Hong Kong's overall economy still plays an important role in the region. In particular, the financial market activities continued in an orderly manner amid a prolonged turbulent social environment in 2019, and successfully attracted Alibaba, a global tech giant, to list in Hong Kong. The Group believes that the listing of Alibaba will speed up the establishment of operations in Hong Kong for mainland and global tech companies, thus driving up the demand for office space in Hong Kong.

Modify strategy to drive up sales - management and staff face hardship together

Amidst adversity, the Group will make timely modification to its operational strategy to enhance competitiveness and business diversification. Sales activities shrank in 2019, so the Group strived hard to develop the leasing sector, recording an increase of income from rental transaction. In this year, the Group will continue to penetrate the leasing market. In addition, we will step up our cooperation with the members of Midland Group** with an aim of expanding the sources of business. The Group will keep focusing on the en-bloc market, while putting in resources to participate in the Urban Renewal Authority's projects. Moreover, we will approach clients who have held their properties for decades to exchange for higher quality properties at a time of market adjustment, so as to seek transaction opportunities in a weak market. Concurrently, the Group will continue to look for suitable tenants for its investment properties to enhance the occupancy rate and rental income. The Group will also continue to identify investment on suitable bonds for optimal yields for its cash. The credit business is in good progress. But amid an uncertain outlook, the Group will strictly comply with the loan approval standards.

In this difficult time, to demonstrate the management's determination to endure hardship together with our staff, the Chairman of the Group, Mr. Wong Kin Yip, Freddie, has announced a voluntary reduction of 40% of his monthly remuneration and the Executive Director has also taken a voluntary pay cut for three months while the senior management has accepted a salary freeze.

** *Midland Holdings Limited and its subsidiaries*

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2019, the Group had cash and cash equivalents of HK\$543,759,000 (2018: HK\$593,214,000) and bonds investment of HK\$24,592,000 (2018: HK\$4,680,000), whilst bank loans amounted to HK\$135,354,000 (2018: HK\$136,329,000) and unsecured zero coupon convertible note of HK\$189,357,000 (2018: HK\$180,411,000).

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

	2019	2018
	HK\$'000	HK\$'000
Secured bank loan with repayment on demand clause (<i>note</i>)		
- repayable within 1 year	1,016	988
- repayable after 1 year but within 2 years	1,312	1,016
- repayable after 2 years but within 5 years	2,026	3,231
- repayable over 5 years	-	94
	<hr/>	<hr/>
	4,354	5,329
Secured bank loan repayable over 5 years	131,000	131,000
	<hr/>	<hr/>
	135,354	136,329
	<hr/> <hr/>	<hr/> <hr/>
Convertible note		
- repayable after 1 year but within 2 years	189,357	-
- repayable after 2 years but within 5 years	-	180,411
	<hr/> <hr/>	<hr/> <hr/>

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 (2018: HK\$288,100,000). As at 31 December 2019, the Group had unutilised borrowing facilities amounting to HK\$15,000,000 (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 31 December 2019, the gearing ratio of the Group was 29.6% (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 3.9 (2018: 3.5). The return on equity of the Group, which is the ratio of (loss)/profit for the year over total equity was -1.8% (2018: 4.3%).

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 31 December 2019, the Group has short term bank deposits of HK\$469,981,000 (2018: HK\$519,571,000) and bonds investment of HK\$24,592,000 (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 31 December 2019, the Company executed corporate guarantee amounting to HK\$160,780,000 (2018: HK\$160,780,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 31 December 2019, banking facilities of HK\$135,354,000 (2018: HK\$136,329,000) 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 31 December 2019, the Group employed 640 full-time employees (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 year ended 31 December 2019 (the “Current Year”) are prepared under HKFRS 16, whereas the statutory results for the corresponding year ended 31 December 2018 are prepared under HKAS 17 as previously reported. Hence, it is difficult to compare the financial information that is prepared under different bases.

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

HKFRS 16 requires lessee to recognise ‘right-of-use’ assets with the corresponding lease liabilities for most of the 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.

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

	As published		For reference only
	<u>Reported under HKFRS 16 2019 HK\$'000</u>	<u>Reported under HKAS 17 2018 HK\$'000</u>	<u>As if reported under HKAS 17 2019 HK\$'000</u>
Revenues	442,126	628,832	442,126
Other loss, net	(17,764)	(5,162)	(17,764)
Staff costs	(228,972)	(295,647)	(228,972)
Rebate incentives	(99,093)	(149,681)	(99,093)
Advertising and promotion expenses	(10,976)	(15,227)	(10,976)
Operating lease charges in respect of office and shop premises	-	(36,803)	(35,952)
Amortisation of right-of-use assets (lease)	(34,737)	-	-
Depreciation of property and equipment	(3,274)	(3,195)	(3,274)
Net impairment losses on financial assets	(28,775)	(18,583)	(28,775)
Other operating costs	(35,801)	(38,386)	(35,801)
Operating (loss)/profit	(17,266)	66,148	(18,481)
Finance income	10,227	3,801	10,227
Interest on bank loans	(4,328)	(2,153)	(4,328)
Interest on convertible note	(7,713)	(7,400)	(7,713)
Interest on lease liabilities	(1,364)	-	-
(Loss)/profit before taxation	(20,444)	60,396	(20,295)
Taxation	843	(12,207)	843
(Loss)/profit and total comprehensive (loss)/income for the year	(19,601)	48,189	(19,452)
(Loss)/profit and total comprehensive (loss)/income attributable to:			
Equity holders	(19,504)	48,148	(19,355)
Non-controlling interests	(97)	41	(97)
	(19,601)	48,189	(19,452)

CONSOLIDATED BALANCE SHEET
AS AT 31 December 2019

	As published		For reference only
	<u>Reported under</u> <u>HKFRS 16</u> 2019 HK\$'000	<u>Reported</u> <u>under</u> <u>HKAS 17</u> 2018 HK\$'000	<u>As if reported</u> <u>under</u> <u>HKAS 17</u> 2019 HK\$'000
Non-current assets			
Right-of-use assets	31,462	-	-
Other non-current assets	872,269	868,591	872,269
	<u>903,731</u>	<u>868,591</u>	<u>872,269</u>
	-----	-----	-----
Current assets	<u>707,126</u>	<u>792,529</u>	<u>707,126</u>
	-----	-----	-----
Total assets	<u>1,610,857</u>	<u>1,661,120</u>	<u>1,579,395</u>
	=====	=====	=====
Equity holders			
Share capital and share premium	925,614	925,614	925,614
Reserves	162,733	187,291	167,936
	<u>1,088,347</u>	<u>1,112,905</u>	<u>1,093,550</u>
Non-controlling interests	<u>7,664</u>	<u>7,761</u>	<u>7,664</u>
	-----	-----	-----
Total equity	<u>1,096,011</u>	<u>1,120,666</u>	<u>1,101,214</u>
	=====	=====	=====
Non-current liabilities			
Lease liabilities	10,105	-	-
Other non-current liabilities	323,231	312,962	323,231
	<u>333,336</u>	<u>312,962</u>	<u>323,231</u>
	-----	-----	-----
Current liabilities			
Lease liabilities	26,560	-	-
Other current liabilities	154,950	227,492	154,950
	<u>181,510</u>	<u>227,492</u>	<u>154,950</u>
	-----	-----	-----
Total liabilities	<u>514,846</u>	<u>540,454</u>	<u>478,181</u>
	=====	=====	=====
Total equity and liabilities	<u>1,610,857</u>	<u>1,661,120</u>	<u>1,579,395</u>
	=====	=====	=====

FINAL DIVIDEND

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions at all applicable times during the year ended 31 December 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2019.

REVIEW OF FINANCIAL STATEMENTS

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

PUBLICATION OF 2019 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandici.com.hk). The 2019 Annual Report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to express our heartfelt gratitude to our shareholders and customers for their support, and to our management and staff for their commitment 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, 26 March 2020

As at the date of this announcement, the Board comprises seven Directors, of which three are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; one is Non-Executive Director, namely 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.