

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.



Midland Holdings Limited

美聯集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1200)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "Board") of Midland Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016 (the "Interim Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2016

| | <i>Note</i> | Six months ended 30 June | |
|--|-------------|---------------------------------|-----------------|
| | | 2016 | 2015 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenues | 3 | 2,105,323 | 2,164,396 |
| Other (loss)/income | 4 | (612) | 2,283 |
| Staff costs | | (1,291,667) | (1,208,043) |
| Rebate incentives | | (377,794) | (343,495) |
| Advertising and promotion expenses | | (43,073) | (40,693) |
| Operating lease charges in respect of office and shop premises | | (310,539) | (279,110) |
| Impairment of receivables | | (54,640) | (81,665) |
| Depreciation and amortisation costs | | (24,348) | (20,281) |
| Other operating costs | | (147,282) | (143,725) |
| Operating (loss)/profit | 5 | (144,632) | 49,667 |
| Finance income | | 1,372 | 1,564 |
| Finance costs | | (3,135) | (5,718) |
| Share of results of joint ventures | | 3,329 | 7,130 |
| (Loss)/profit before taxation | | (143,066) | 52,643 |
| Taxation | 6 | 5,998 | (17,521) |
| (Loss)/profit for the period | | (137,068) | 35,122 |

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) (continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

| | | Six months ended 30 June | |
|--------------------------------|--------------|---------------------------------|----------------------------|
| | <i>Note</i> | 2016 | 2015 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss)/profit attributable to: | | | |
| Equity holders | | (134,416) | 32,353 |
| Non-controlling interests | | (2,652) | 2,769 |
| | | <u>(137,068)</u> | <u>35,122</u> |
| (Loss)/earnings per share | 8 | <i>HK cents</i> | <i>HK cents</i> |
| Basic | | (18.72) | 4.51 |
| Diluted | | (18.72) | 4.51 |
| | | <u>(18.72)</u> | <u>4.51</u> |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

| | Six months ended 30 June | |
|---|---------------------------------|-----------------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| (Loss)/profit for the period | (137,068) | 35,122 |
| | ----- | ----- |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Currency translation differences | 5,216 | - |
| Change in fair value of available-for-sale financial assets | 1,476 | 780 |
| Change in fair value of land and buildings upon transfer from owner-occupied properties to investment properties | - | 14,101 |
| | ----- | ----- |
| | 6,692 | 14,881 |
| | ----- | ----- |
| Total comprehensive (loss)/income for the period, net of tax | (130,376) | 50,003 |
| | ===== | ===== |
| Total comprehensive (loss)/income for the period attributable to: | | |
| Equity holders | (127,724) | 47,234 |
| Non-controlling interests | (2,652) | 2,769 |
| | ----- | ----- |
| | (130,376) | 50,003 |
| | ===== | ===== |

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2016**

| | <i>Note</i> | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|-------------------------------------|-------------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | | 167,533 | 166,475 |
| Investment properties | | 87,415 | 105,074 |
| Land use rights | | 1,187 | 1,233 |
| Interests in joint ventures | | 60,064 | 70,887 |
| Available-for-sale financial assets | | 12,572 | 11,982 |
| Deferred taxation assets | | 25,103 | 15,992 |
| | | <hr/> 353,874 <hr/> | <hr/> 371,643 <hr/> |
| Current assets | | | |
| Trade and other receivables | 9 | 1,656,989 | 1,412,779 |
| Taxation recoverable | | 20,628 | 21,332 |
| Cash and bank balances | | 1,421,500 | 1,303,066 |
| | | <hr/> 3,099,117 <hr/> | <hr/> 2,737,177 <hr/> |
| Total assets | | <hr/> 3,452,991 <hr/> | <hr/> 3,108,820 <hr/> |

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)
AS AT 30 JUNE 2016

| | <i>Note</i> | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|-------------------------------------|-------------|--|--|
| EQUITY AND LIABILITIES | | | |
| Equity holders | | | |
| Share capital | | 71,805 | 71,805 |
| Share premium | | 223,505 | 223,505 |
| Reserves | | 905,487 | 1,033,062 |
| | | <u>1,200,797</u> | <u>1,328,372</u> |
| Non-controlling interests | | 199,045 | 201,635 |
| | | <u>1,399,842</u> | <u>1,530,007</u> |
| Non-current liabilities | | | |
| Deferred taxation liabilities | | 3,293 | 3,121 |
| | | <u>3,293</u> | <u>3,121</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 1,613,867 | 1,514,506 |
| Borrowings | | 430,868 | 58,188 |
| Taxation payable | | 5,121 | 2,998 |
| | | <u>2,049,856</u> | <u>1,575,692</u> |
| Total liabilities | | 2,053,149 | 1,578,813 |
| | | <u>2,053,149</u> | <u>1,578,813</u> |
| Total equity and liabilities | | 3,452,991 | 3,108,820 |
| | | <u>3,452,991</u> | <u>3,108,820</u> |

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Company is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group are provision of property agency services in Hong Kong, the People’s Republic of China (the “PRC”) and Macau.

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 26 August 2016.

2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared under the historical cost convention as modified by the revaluation of investment properties and available-for-sale financial assets, 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 condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2015 except that the Group has adopted the following revised standards and amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31 December 2016.

2 Basis of preparation and significant accounting policies (continued)

(a) Standards and amendments effective in 2016

| | |
|--------------------------------------|---|
| HKAS 1 (Amendment) | Disclosure Initiative |
| HKAS 16 and HKAS 38 (Amendment) | Clarification of Acceptable Methods of Depreciation and Amortisation |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| HKFRS 11 (Amendment) | Accounting for Acquisitions of Interests in Joint Operations |
| Annual Improvements Project HKFRS 14 | Annual Improvements 2012-2014 Cycle Regulatory Deferral Accounts |

The adoption of the above new standard and amendments to existing standards did not have significant effect on the financial information or result in any significant changes in the Group's significant accounting policies, except for certain changes in presentation and disclosures.

(b) Standards which are not yet effective

The following new standards have been issued but are not effective for 2016 and have not been early adopted by the Group:

| | | Effective for accounting periods <u>beginning on or after</u> |
|----------|---------------------------------------|---|
| HKFRS 9 | Financial Instruments | 1 January 2018 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |

3 Revenues and segment information

(a) Revenues

| | Six months ended 30 June | |
|----------------------------------|--------------------------|------------------|
| | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Agency fee | 2,094,885 | 2,150,056 |
| Immigration consultancy services | 7,732 | 10,758 |
| Rental income | 1,796 | 2,348 |
| Web advertising | 108 | 108 |
| Other services | 802 | 1,126 |
| | <u>2,105,323</u> | <u>2,164,396</u> |

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 determined the operating segments based on these reports.

The Executive Directors assess the performance based on the nature of the Group’s businesses which are principally located in Hong Kong, the PRC and Macau, and comprise property agency businesses for residential, commercial and industrial properties and shops, and other businesses which mainly include property leasing and immigration consultancy services.

| | Six months ended 30 June 2016 | | | |
|---|--|--|----------------------------|---------------------------|
| | Property agency | | | |
| | Residential properties HK\$’000 | Commercial and industrial properties and shops HK\$’000 | Others HK\$’000 | Total HK\$’000 |
| Total revenues | 1,847,658 | 310,616 | 14,254 | 2,172,528 |
| Inter-segment revenues | (56,538) | (6,851) | (3,816) | (67,205) |
| Revenues from external customers | 1,791,120 | 303,765 | 10,438 | 2,105,323 |
| Segment results | (112,293) | (18,618) | 5,010 | (125,901) |
| Impairment of receivables | 44,343 | 10,297 | - | 54,640 |
| Depreciation and amortisation costs | 19,844 | 3,412 | 494 | 23,750 |
| Share of results of joint ventures | - | - | 3,329 | 3,329 |
| Fair value loss on investment properties | - | - | 1,191 | 1,191 |
| Additions to non-current assets | 26,902 | 115 | 28 | 27,045 |

3 Revenues and segment information (continued)

(b) Segment information (continued)

| | Six months ended 30 June 2015 | | | |
|--|--|---|---------------------------|--------------------------|
| | Property agency | | | |
| | Residential properties <i>HK\$'000</i> | Commercial and industrial properties and shops <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Total revenues | 1,872,214 | 337,247 | 18,205 | 2,227,666 |
| Inter-segment revenues | (45,428) | (13,977) | (3,865) | (63,270) |
| | 1,826,786 | 323,270 | 14,340 | 2,164,396 |
| Revenues from external customers | 1,826,786 | 323,270 | 14,340 | 2,164,396 |
| | 57,625 | 8,552 | 11,032 | 77,209 |
| Segment results | 57,625 | 8,552 | 11,032 | 77,209 |
| Impairment of receivables | 49,411 | 32,254 | - | 81,665 |
| Depreciation and amortisation costs | 16,056 | 3,184 | 443 | 19,683 |
| Share of results of joint ventures | - | - | 7,130 | 7,130 |
| Fair value gain on investment properties | - | - | 910 | 910 |
| Additions to non-current assets | 22,241 | 2,950 | 105 | 25,296 |
| | 22,241 | 2,950 | 105 | 25,296 |

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, realised (loss)/gain on available-for-sale financial assets, finance income, finance costs and taxation are not included in the segment results.

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

| | Six months ended 30 June | |
|---|---------------------------------|-----------------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| Segment results for reportable segments | (125,901) | 77,209 |
| Corporate expenses | (14,722) | (20,509) |
| Realised (loss)/gain on available-for-sale financial assets | (680) | 97 |
| Finance income | 1,372 | 1,564 |
| Finance costs | (3,135) | (5,718) |
| | <hr/> | <hr/> |
| (Loss)/profit before taxation per consolidated income statement | (143,066) | 52,643 |
| | <hr/> <hr/> | <hr/> <hr/> |

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, available-for-sale financial assets, all of which are managed on a central basis. The following is total segment assets and liabilities by reporting segments:

| | As at 30 June 2016 | | | |
|------------------------------------|-------------------------------|---|-----------------|------------------|
| | Property agency | | | Total |
| | Residential properties | Commercial and industrial properties and shops | Others | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment assets | 2,011,252 | 867,594 | 168,750 | 3,047,596 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Segment assets include: | | | | |
| Interests in joint ventures | - | - | 60,064 | 60,064 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Segment liabilities | 1,340,471 | 251,142 | 20,062 | 1,611,675 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

3 Revenues and segment information (continued)

(b) Segment information (continued)

| | As at 31 December 2015 | | | Total HK\$'000 |
|-----------------------------|---------------------------------------|--|--------------------|-------------------|
| | Property agency | Commercial and industrial properties and shops | Others | |
| | Residential properties HK\$'000 | Commercial and industrial properties and shops HK\$'000 | Others HK\$'000 | |
| Segment assets | 1,570,198 | 860,192 | 198,211 | 2,628,601 |
| Segment assets include: | | | | |
| Interests in joint ventures | - | - | 70,887 | 70,887 |
| Segment liabilities | 1,251,220 | 232,662 | 25,058 | 1,508,940 |

Reportable segment assets are reconciled to total assets as follows:

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|---|--------------------------------------|--|
| Segment assets | 3,047,596 | 2,628,601 |
| Corporate assets | 367,720 | 452,245 |
| Deferred taxation assets | 25,103 | 15,992 |
| Available-for-sale financial assets | 12,572 | 11,982 |
| Total assets per consolidated balance sheet | 3,452,991 | 3,108,820 |

Reportable segment liabilities are reconciled to total liabilities as follows:

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|--|--------------------------------------|--|
| Segment liabilities | 1,611,675 | 1,508,940 |
| Corporate liabilities | 438,181 | 66,752 |
| Deferred taxation liabilities | 3,293 | 3,121 |
| Total liabilities per consolidated balance sheet | 2,053,149 | 1,578,813 |

3 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

| | Six months ended 30 June | |
|----------------------------------|--------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Hong Kong and Macau | 1,470,706 | 1,784,089 |
| PRC | 634,617 | 380,307 |
| Revenues from external customers | <u>2,105,323</u> | <u>2,164,396</u> |

Revenues are attributed to locations where the transactions took place.

4 Other (loss)/income

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Fair value (loss)/gain on investment properties | (1,191) | 910 |
| Realised (loss)/gain on available-for-sale financial assets | (680) | 97 |
| Others | 1,259 | 1,276 |
| | <u>(612)</u> | <u>2,283</u> |

5 Operating (loss)/profit

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

| | Six months ended 30 June | |
|--|--------------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Loss on disposal of property and equipment | <u>454</u> | <u>637</u> |

6 Taxation

| | Six months ended 30 June | |
|-----------------------|--------------------------|---------------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| Current | | |
| Hong Kong profits tax | 2,901 | 12,286 |
| Overseas | 40 | (27) |
| Deferred | (8,939) | 5,262 |
| | <u>(5,998)</u> | <u>17,521</u> |

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

7 Dividends

The Board does not declare an interim dividend for the Interim Period (six months ended 30 June 2015: Nil).

8 (Loss)/earnings per share

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

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| (Loss)/profit attributable to equity holders | <u>(134,416)</u> | <u>32,353</u> |
| Number of shares for calculation of basic (loss)/earnings per share (thousands) | 718,046 | 718,046 |
| Effect on conversion of share options (thousands) | - | - |
| Number of shares for calculation of diluted (loss)/earnings per share (thousands) | <u>718,046</u> | <u>718,046</u> |
| Basic (loss)/earnings per share (HK cents) | (18.72) | 4.51 |
| Diluted (loss)/earnings per share (HK cents) | <u>(18.72)</u> | <u>4.51</u> |

8 (Loss)/earnings per share (continued)

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. The number of shares that could have been acquired at fair value (according to the average market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options is determined. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted (loss)/earnings per share for both periods did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

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 ageing analysis of the trade receivables based on due date is as follows:

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|-------------------|--|--|
| Not yet due | 1,268,849 | 1,027,974 |
| Less than 30 days | 18,963 | 21,872 |
| 31 to 60 days | 16,366 | 27,004 |
| 61 to 90 days | 7,055 | 9,078 |
| Over 90 days | 10,103 | 7,696 |
| | 1,321,336 | 1,093,624 |

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

10 Trade and other payables

Trade payables include mainly the commissions or 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\$266,723,000 (as at 31 December 2015: HK\$229,927,000) which are due for payment within 30 days after period end, and all the remaining commissions and rebate payables are not yet due.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2016, the Group recorded a consolidated net loss attributable to equity holders of approximately HK\$134,416,000 compared with the consolidated net profit attributable to equity holders of approximately HK\$32,353,000 for the corresponding period of 2015. The Group's results for the six months ended 30 June 2016 among other factors, were adversely affected by:

1. the drop in the residential and non-residential property market sales activities in Hong Kong during the first half of 2016 as compared to the corresponding period of 2015; and
2. keen competition in the property agency industry, which led to upward pressure on rental in both Hong Kong and Mainland China and on staff costs in Mainland China.

Income and profitability during the reporting period were down against those in the corresponding period of 2015. Despite under the influence of the tough government measures, the property market in the first half of previous year was supported by the red-hot stock market. But in the beginning of the year, the property market was seriously battered by problems ranging from depreciation of Renminbi and sharp correction of equities market triggered by the implementation of circuit-breaking system in Chinese equities markets to gloomy economic outlook of the local economy.

26-year low in the first quarter

The market consolidation began in the final quarter of 2015. In particular, the local property market in the first quarter of this year was extremely weak. According to the Land Registry, the number of property sales registrations during January to March 2016 fell further to 8,860 units, a new quarterly low since 1991. The market slowdown in the first three months was across-the-board and transaction activities of both residential and non-residential sectors declined. For instance, new home sales registrations amounted to 1,325 units in the first quarter, 68.5% lower than the quarterly average in 2015.

When oil prices stabilised, concerns over hard-landing of mainland economy subsided and expectation on rate hikes dissipated, market sentiment improved in the second quarter and a mild recovery has begun. Developers sped up the pace of new launches and kept devising various preferential payment terms. Moreover, the mild price correction encouraged bargain hunting and transaction volume in the secondary home market increased. Despite the improvement of sentiment in recent months, the transaction volume and value remained low in the first half of 2016. Over the first six months of the year, both volume and value of property registrations recorded a year-on-year decline of 39%.

Growth in rental expenses

Rental expenses increased 11% during the reporting period. One special feature of this industry is that rents for the agency outlets depend more on the property market sales activity than the overall trend of rents for the retail sector. Since the market sentiment was relatively buoyant in the first half of last year, some landlords, especially, those of the shopping malls, asked for higher rents for their premises. The impact of the rental increase from last year continues to take place. Outlets in good locations attract new customer and facilitate quality staff retention. Some landlords of the outlets in good locations receive rival bids for the best tenancy. In view of keen competition and to fend off competitors, the Group had to raise its bid for leases in 2015.

In mainland China, competition was even more intense. In most of tier-one mainland cities, the market was red-hot in the first quarter of this year and most of our competitors were aggressive in expanding their outlets. When the transaction activity was hit by government measures, business environment immediately turned to be extremely challenging for our mainland operations. In March 2016, the government of Shenzhen, the city which is the major focus of our mainland operations, announced some new demand curbing policies in order to cool down the over-heated property market. But, seemingly, the whole agency industry in Shenzhen is unwilling to make any adjustment in size.

Strived hard to improve cost efficiency

During the reporting period, the Group strived hard to improve the cost efficiency of the local operation through taking the following measures:

1. actively seeking rental reduction from individual landlords;
2. striving hard to raise net commission rate in new home sector;
3. launching variations of short-term incentive programs to strengthen our position in the primary market;
4. upholding the principle of “survival of the fittest” and recruiting elites of the industry; and
5. strengthening and investing in our multi-channel online platform to enhance online-to-offline customer experience.

OUTLOOK

Twists and turns

The mild market recovery, starting in the second quarter of this year is expected to last in the near term. The stabilisation of the macro-economic environment is the most important factor. No change in the US interest rate also helps. In near term, the property market will also be supported by solid stock market performance and capital inflow as a result of Brexit. Despite the persisting downtrends of retail sales and increasing number of vacant shops, the latest number of tourist arrivals to Hong Kong finally rebounded after falling for thirteen consecutive months.

Under the strong demand of mainland buyers, the high-end residential sector and the office market are likely to outperform. If the Shenzhen-Hong Kong Stock Connect is put through in the second half, these two types of properties will fare even better. However, the overall residential market is mainly dominated by local buyers. The demand accumulated during the consolidation which took place in late last year and early this year has not been fully released yet and it is expected to continue to support the mass market in the coming months. Primary home market is likely to be the market focus as supply in the secondary market has diminished after some listings were absorbed.

In recent years, the development of property sector is marked by its twists and turns. Whenever the macro-economic conditions deteriorate, market sentiment sours and both property prices and transaction volume fall. And when fears have settled, sales activities and property prices rebound. This newly emerged cycle is believed to last as the global economy still suffers from the problem of lack of growth. Besides, the shift in the expectation of the interest hikes will also sway market sentiments.

The Group believes the industry is concerned about external shocks, political developments as well as the adverse effect of government measures. One worrying signal is that the market transaction volume has persistently stayed at low level and never recovered to normal since the implementation of the various administrative measures. Clearly, some intervening policies suppress demand for housing as well as supply of the secondary home units. Supply is light in the secondary home sector, so even a mild increase in sales activity can now reinvigorate growth in property prices. Against a backdrop of new home supply hitting record high of 93,000 units, the government should start considering the relaxation of some tough measures such as abolishing Double Stamp Duty. The Group believes that less intervention can help restore market normalcy.

Growing importance of business platform

In the modern competitive era, the effectiveness of a business platform has become more important. Because of it, the Group has to strengthen its business platform to stay competitive. In property agency industry, a good business platform comprises comprehensive branch network, sound financial position, strong online platform, reliable brand, broad customer base and etc.

The Group will continue to strengthen our digital platform. The customer behavior is ever changing, the online to offline journey will require constant improvement and creation in order to enhance better customer experience.

Sowing seeds for future success

The Group will continue to tackle this lumpy local property market proactively and to strive hard to improve costs efficiency and the impacts are expected to be gradually reflected. In addition, the Group will actively build its IT platform. Despite low market activity, the number of estate agents and estate agency outlets have stayed at an unreasonably high level for quite some time. The Group will continue to strengthen our business platform so as to sharpen our edge. The Group believes that a strong business platform can strengthen our market position.

FINANCIAL REVIEW

Liquidity and financial resources

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

As at 30 June 2016, the Group had cash and bank balances of HK\$1,421,500,000 (as at 31 December 2015: HK\$1,303,066,000). As at 30 June 2016, the interest-bearing bank borrowings of the Group amounted to HK\$430,868,000 (as at 31 December 2015: HK\$58,188,000) and with maturity profile set out as follows:

| | As at 30 June 2016 HK\$'000 | As at 31 December 2015 HK\$'000 |
|----------------------------------|--|--|
| Repayable | | |
| Within 1 year | 424,105 | 50,946 |
| After 1 year but within 2 years | 973 | 964 |
| After 2 years but within 5 years | 3,032 | 3,004 |
| After 5 years | 2,758 | 3,274 |
| | 430,868 | 58,188 |

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

As at 30 June 2016, the gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 30.78% (as at 31 December 2015: 3.80%). Increase in gearing ratio was mainly due to the increase in bank borrowings to meet the short-term funding requirement for the sales of primary residential properties market. 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 1.5 (as at 31 December 2015: 1.7). The return on equity, which represents a ratio of (loss)/profit for the period over total equity of the Group, was -9.79% (six months ended 30 June 2015: 2.12%).

As at 30 June 2016, the Group has unutilised borrowings facilities amounting to approximately HK\$1,411,850,000 (as at 31 December 2015: HK\$1,485,000,000) from various banks. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company (“Directors”) will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group’s funding requirements.

As at 30 June 2016, certain land and buildings and investment properties held by the Group of HK\$85,386,000 (as at 31 December 2015: HK\$86,305,000) and HK\$59,020,000 (as at 31 December 2015: HK\$76,360,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured by floating charge over certain receivables of the Group, inter alia, with carrying value of approximately HK\$1,099,623,000 as at 30 June 2016 (as at 31 December 2015: HK\$932,017,000).

The Group’s cash and bank balances are denominated in Hong Kong dollars, Renminbi and Macau Pataca and the Group’s borrowings are in Hong Kong dollars. No currency hedging tool is used.

The Group’s business has been conducted primarily in Hong Kong and its monetary assets and liabilities are mainly denominated in Hong Kong dollars. The Group is exposed to Renminbi exchange rate risk as the assets and liabilities of the Group’s PRC subsidiaries are primarily denominated in Renminbi. Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Directors consider that no hedging measure against Renminbi exchange rate exposure is necessary at this stage but will closely monitor its fluctuations.

Contingent liabilities

As at 30 June, 2016, the Company executed corporate guarantees of HK\$1,862,000,000 (as at 31 December 2015: HK\$1,562,000,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2016, HK\$431,223,000 of these facilities were utilised by the subsidiaries (as at 31 December 2015: HK\$59,364,000).

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 2016, the Group employed 11,569 full time employees (as at 31 December 2015: 11,673) of which 10,278 were sales agents, 600 were back office supportive employees and 691 were frontline supportive employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, incentives tied in with profits and share options may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits. In respect of staff development, both in-house and external training and development programmes are conducted on a regular basis.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Interim Period (2015: Nil).

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.

CORPORATE GOVERNANCE

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.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") comprises four Independent Non-Executive Directors and one Non-Executive Director with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee 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.

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 throughout the Interim Period.

PUBLICATION OF INTERIM RESULTS AND 2016 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midland.com.hk). The 2016 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 wish to express my gratitude to the Board for their contributions and support and to the management and the staff for their hard work and dedication.

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

Hong Kong, 26 August 2016

As at the date of this announcement, the Board comprises eleven Directors, of which four are Executive Directors, namely Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela, Mr. WONG Tsz Wa, Pierre and Mr. CHEUNG Kam Shing; three are Non-Executive Directors, namely Mr. WONG Kin Yip, Freddie, Mr. KAN Chung Nin, Tony and Ms. IP Kit Yee, Kitty; and four are Independent Non-Executive Directors, namely Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu, Mr. CHAN Nim Leung, Leon and Mr. WONG San.