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## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Board”) of Midland Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020 together with the comparative figures as follows:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenues	3(a)	<b>4,981,920</b>	4,883,503
Other income, net	4	<b>209,371</b>	2,452
Staff costs		<b>(2,445,231)</b>	(2,457,041)
Rebate incentives		<b>(1,500,477)</b>	(1,360,777)
Advertising and promotion expenses		<b>(75,679)</b>	(62,793)
Operating lease charges in respect of office and shop premises		<b>(62,874)</b>	(63,345)
Amortisation of right-of-use assets (lease)		<b>(591,686)</b>	(648,029)
Depreciation of property and equipment		<b>(50,301)</b>	(55,808)
Net impairment losses on financial assets		<b>(27,631)</b>	(13,423)
Other operating costs	5	<b>(267,669)</b>	(268,990)
Operating profit/(loss)		<b>169,743</b>	(44,251)
Finance income		<b>471</b>	631
Interest on bank loans and overdrafts		<b>(12,213)</b>	(13,331)
Interest on lease liabilities		<b>(21,885)</b>	(27,586)
Share of results of joint ventures		<b>17,650</b>	27,712
Share of results of associates		<b>(3,744)</b>	(6,601)
Profit/(loss) before taxation		<b>150,022</b>	(63,426)
Taxation	6	<b>(18,168)</b>	(5,498)
Profit/(loss) for the year attributable to equity holders		<b>131,854</b>	(68,924)

\* For identification purpose only

**CONSOLIDATED INCOME STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividend	7	<b>363,040</b>	-
		<u><u>          </u></u>	<u><u>          </u></u>
Earnings/(loss) per share	8	<i>HK cents</i>	<i>HK cents</i>
Basic		<b>18.36</b>	(9.60)
Diluted		<b>18.36</b>	(9.60)
		<u><u>          </u></u>	<u><u>          </u></u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) for the year attributable to equity holders	<b>131,854</b>	(68,924)
Other comprehensive (loss)/income	-----	-----
<i>Item that will not be reclassified to profit or loss</i>		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income	(35)	108
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<u>(6,212)</u>	<u>405</u>
Other comprehensive (loss)/income for the year, net of tax	<u><b>(6,247)</b></u>	<u>513</u>
Total comprehensive income/(loss) for the year attributable to equity holders, net of tax	<u><b>125,607</b></u>	<u>(68,411)</u>

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2020**

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		<b>154,303</b>	144,469
Right-of-use assets		<b>548,787</b>	690,803
Investment properties		<b>73,701</b>	77,687
Interests in joint ventures		<b>35,818</b>	45,821
Interests in associates	12	-	368,339
Financial assets at fair value through other comprehensive income		<b>3,701</b>	4,800
Deferred tax assets		<b>12,060</b>	21,227
Loan receivables	9	<b>881</b>	2,698
		<b>829,251</b>	1,355,844
		-----	-----
<b>Current assets</b>			
Trade and other receivables	10	<b>3,154,088</b>	2,514,757
Taxation recoverable		<b>8,333</b>	29,204
Loan receivables	9	<b>96,258</b>	115,323
Short-term bank deposits		<b>2,454</b>	2,260
Cash and cash equivalents		<b>938,154</b>	1,149,428
		<b>4,199,287</b>	3,810,972
		=====	=====
<b>Total assets</b>		<b>5,028,538</b>	5,166,816
		=====	=====

**CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2020**

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital		<b>71,805</b>	71,805
Share premium		<b>223,505</b>	223,505
Reserves		<b>794,095</b>	1,029,324
<b>Total equity</b>		<b>1,089,405</b>	1,324,634
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>7,809</b>	6,021
Lease liabilities		<b>209,960</b>	241,586
		<b>217,769</b>	247,607
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>3,031,746</b>	2,584,713
Borrowings		<b>228,000</b>	489,000
Lease liabilities		<b>459,910</b>	517,078
Taxation payable		<b>1,708</b>	3,784
		<b>3,721,364</b>	3,594,575
<b>Total liabilities</b>		<b>3,939,133</b>	3,842,182
<b>Total equity and liabilities</b>		<b>5,028,538</b>	5,166,816

## NOTES TO THE CONSOLIDATED 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, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

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

### 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 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 financial assets at fair value through other comprehensive income, which are carried at fair values.

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

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

### 3 Revenues and segment information

#### (a) Revenues

	2020 HK\$'000	2019 HK\$'000
<b>Revenues from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
- Agency fee	4,959,590	4,863,656
- Immigration consultancy services	5,773	7,197
- Web advertising	1,381	1,533
- Other services	3,098	3,048
	<u>4,969,842</u>	<u>4,875,434</u>
<b>Revenues from other sources</b>		
- Rental income	3,279	3,082
- Interest income from loan receivables	8,799	4,987
	<u>8,799</u>	<u>4,987</u>
Total revenues	<u><u>4,981,920</u></u>	<u><u>4,883,503</u></u>

#### (b) Segment information

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

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

### 3 Revenues and segment information (continued)

#### (b) Segment information (continued)

	Year ended 31 December 2020			
	Property agency			
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenues	4,895,565	64,025	29,998	4,989,588
Inter-segment revenues	-	-	(7,668)	(7,668)
Revenues from external customers	4,895,565	64,025	22,330	4,981,920
Timing of revenue recognition				
- At a point in time	4,895,565	64,025	3,098	4,962,688
- Over time	-	-	7,154	7,154
Rental income	-	-	3,279	3,279
Interest income from loan receivables	-	-	8,799	8,799
	4,895,565	64,025	22,330	4,981,920
Segment results	6,282	(30,078)	22,990	(806)
Amortisation of right-of-use assets (lease)	(585,592)	(6,094)	-	(591,686)
Depreciation of property and equipment	(47,945)	(1,157)	(735)	(49,837)
Net impairment losses on financial assets	(27,083)	(548)	-	(27,631)
Share of results of joint ventures	-	-	17,650	17,650
Share of results of associates	-	(3,744)	-	(3,744)
Fair value losses on investment properties	-	-	(5,998)	(5,998)
Impairment losses on right-of-use assets	(35,921)	(11,394)	-	(47,315)
Impairment losses on property and equipment	(589)	(187)	-	(776)
Additions to property and equipment	59,030	883	136	60,049

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)

	Year ended 31 December 2019			
	Property agency		Others HK\$ '000	Total HK\$ '000
	Residential properties HK\$ '000	Commercial and industrial properties and shops HK\$ '000		
Segment revenues	4,772,175	91,481	27,512	4,891,168
Inter-segment revenues	-	-	(7,665)	(7,665)
Revenues from external customers	4,772,175	91,481	19,847	4,883,503
Timing of revenue recognition				
- At a point in time	4,772,175	91,481	3,048	4,866,704
- Over time	-	-	8,730	8,730
Rental income	-	-	3,082	3,082
Interest income from loan receivables	-	-	4,987	4,987
	4,772,175	91,481	19,847	4,883,503
Segment results	(23,676)	(13,745)	31,714	(5,707)
Amortisation of right-of-use assets (lease)	(644,435)	(3,490)	(104)	(648,029)
Depreciation of property and equipment	(53,530)	(1,117)	(696)	(55,343)
Net impairment losses on financial assets	(13,259)	(164)	-	(13,423)
Share of results of joint ventures	-	-	27,712	27,712
Share of results of associates	-	(6,601)	-	(6,601)
Fair value losses on investment properties	-	-	(2,319)	(2,319)
Impairment losses on right-of-use assets	(3,907)	(427)	-	(4,334)
Additions to property and equipment	63,491	790	156	64,437

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

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, government subsidy, loss on disposal of associates, finance income, interest on bank loans and overdrafts, 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 profit/(loss) before taxation is provided as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Segment results for reportable segments	(806)	(5,707)
Corporate expenses	(46,673)	(45,019)
Government subsidy	210,798	-
Loss on disposal of associates	(1,555)	-
Finance income	471	631
Interest on bank loans and overdrafts	(12,213)	(13,331)
Profit/(loss) before taxation per consolidated income statement	<u>150,022</u>	<u>(63,426)</u>

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and financial assets at fair value through other comprehensive income, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reporting segments:

	As at 31 December 2020			
	<u>Property agency</u>			
	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>
Segment assets	<u>4,058,803</u>	<u>39,249</u>	<u>227,552</u>	<u>4,325,604</u>
Segment assets include:				
Interests in joint ventures	<u>-</u>	<u>-</u>	<u>35,818</u>	<u>35,818</u>
Segment liabilities	<u>3,614,968</u>	<u>50,758</u>	<u>25,112</u>	<u>3,690,838</u>

### 3 Revenues and segment information (continued)

#### (b) Segment information (continued)

	As at 31 December 2019			
	Property agency	Commercial and industrial properties and shops	Others	Total
	Residential properties <i>HK\$ '000</i>	properties <i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Segment assets	4,038,552	415,145	262,420	4,716,117
Segment assets include:				
Interests in joint ventures	-	-	45,821	45,821
Interests in associates	-	368,339	-	368,339
Segment liabilities	3,274,774	45,813	21,418	3,342,005

Reportable segment assets are reconciled to total assets as follows:

	2020 <i>HK\$ '000</i>	2019 <i>HK\$ '000</i>
Segment assets	4,325,604	4,716,117
Corporate assets	687,173	424,672
Deferred tax assets	12,060	21,227
Financial assets at fair value through other comprehensive income	3,701	4,800
Total assets per consolidated balance sheet	5,028,538	5,166,816

Reportable segment liabilities are reconciled to total liabilities as follows:

	2020 <i>HK\$ '000</i>	2019 <i>HK\$ '000</i>
Segment liabilities	3,690,838	3,342,005
Corporate liabilities	240,486	494,156
Deferred tax liabilities	7,809	6,021
Total liabilities per consolidated balance sheet	3,939,133	3,842,182

### 3 Revenues and segment information (continued)

#### (b) Segment information (continued)

Geographical information:

	2020 HK\$'000	2019 HK\$'000
Revenues from external customers		
Hong Kong and Macau	4,281,217	3,963,912
PRC	700,703	919,591
	<u>4,981,920</u>	<u>4,883,503</u>

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

#### 4 Other income, net

	2020 HK\$'000	2019 HK\$'000
Fair value losses on investment properties	(5,998)	(2,319)
Loss on disposal of associates	(1,555)	-
Gain on disposal of an investment property	-	170
Government subsidy	210,798	-
Others	6,126	4,601
	<u>209,371</u>	<u>2,452</u>

Subsidy received under the Employment Support Scheme of HK\$207,336,000 (2019: nil) are included in the government subsidy. There are no unfulfilled conditions or other contingencies attaching to the grants.

#### 5 Other operating costs

The major other operating costs are as follows:

	2020 HK\$'000	2019 HK\$'000
Direct operating expenses arising from investment properties that:		
– generated rental income	149	306
– did not generate rental income	32	32
Office and branch operating expenses (remark)	114,934	136,460
Government rent and rates, building management fee of leased properties	47,690	49,206
Legal and professional fees	10,276	11,273
Staff recruitment, training and welfare	8,934	15,065
Insurance expenses	12,914	12,473
Bank charges	19,437	21,030
Impairment losses of right-of-use assets	47,315	4,334
Impairment losses of property and equipment	776	-
Loss on disposal of property and equipment	181	353
Net foreign exchange (gains)/losses	(900)	590
Auditor's remuneration		
– audit services	3,130	3,127
– interim results review	573	573
	<u></u>	<u></u>

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

## 6 Taxation

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	6,979	6,599
Overseas	234	992
Deferred taxation	10,955	(2,093)
	<u>18,168</u>	<u>5,498</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

## 7 Dividend

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend by way of distribution in specie	<u>363,040</u>	<u>-</u>

On 19 October 2020, the Board declared an interim dividend in the form of distribution in specie of the shares of Midland IC&I Limited (“Midland IC&I shares”) held by the Group to the shareholders of the Company in the proportion of 1,700 Midland IC&I shares for every 2,000 issued shares of the Company. A total of 610,976,997 Midland IC&I shares with an aggregate fair value of approximately HK\$363,040,000 were recognised as distribution during the year, which represented a distribution of approximately HK\$0.51 per share of the Company.

After the completion of the distribution in specie in November 2020, the Group ceased to hold any Midland IC&I share. Midland IC&I Limited and its subsidiaries (“Midland IC&I Group”) ceased to be accounted for as associates of the Group in the consolidated financial statements of the Company.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

## 8 Earnings/(loss) per share

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

	2020 HK\$'000	2019 HK\$'000
Profit/(loss) attributable to equity holders for the calculation of basic earnings/(loss) per share	<u>131,854</u>	<u>(68,924)</u>
Number of shares for the calculation of basic and diluted earnings/(loss) per share (thousands)	<u>718,046</u>	<u>718,046</u>
Basic earnings/(loss) per share (HK cents)	<u>18.36</u>	<u>(9.60)</u>
Diluted earnings/(loss) per share (HK cents)	<u>18.36</u>	<u>(9.60)</u>

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

For the year ended 31 December 2020, the diluted earnings per share is the same as the basic earnings per share as the exercise of share options of the Company and the convertible note issued by its associates would have an anti-dilutive effect.

For the year ended 31 December 2019, the diluted loss per share is the same as the basic loss per share as the exercise of share options of the Company and the convertible note issued by its associates would have an anti-dilutive effect.

## 9 Loan receivables

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

	2020 HK\$'000	2019 HK\$'000
Within 1 year	96,258	115,323
Over 1 year but less than 2 years	357	1,914
Over 2 years but less than 3 years	393	784
Over 3 years	131	-
	<u>97,139</u>	<u>118,021</u>

## 10 Trade and other receivables

Trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	2020 HK\$'000	2019 HK\$'000
Current (not yet due)	2,686,186	2,066,100
Less than 30 days past due	59,852	43,826
31 to 60 days past due	22,289	17,929
61 to 90 days past due	8,973	6,673
More than 90 days past due	18,606	11,084
	<u>2,795,906</u>	<u>2,145,612</u>

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

## 11 Trade and other payables

Commissions and rebate payables to property consultants, co-operative estate agents and property buyers are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$325,108,000 (2019: HK\$371,064,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after year end. All the remaining commissions and rebate payables are not yet due.

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

## 12 Interests in associates

	2020 HK\$'000	2019 HK\$'000
Listed investment, at cost		
At the beginning of the year	368,339	374,940
Share of loss	(3,744)	(6,601)
Disposal	(364,595)	-
	<u>-</u>	<u>368,339</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group announces that for the year ended 31 December 2020, it recorded a profit attributable to equity holders of approximately HK\$132 million (2019: loss attributable to equity holders amounted to approximately HK\$69 million).

The turnaround of the Group's results during the reporting period was mainly attributable to: (1) increase in operating profit (without taking into account the subsidy under the Employment Support Scheme of the Hong Kong Government) of our business under the brand name "Midland Realty 美聯物業" for the year ended 31 December 2020 as compared with 2019. The improvement in the results of "Midland Realty 美聯物業" was attributable to (a) the increase in its market share in Hong Kong especially the secondary residential market; and (b) the improvement in resources allocation which enhanced operational efficiency; and (2) the receipt of subsidy under the Employment Support Scheme of the Hong Kong Government.

#### **Stable Property Price Showed Market Resilience**

Despite the double blow of social tension in the beginning of 2020 and the COVID-19 pandemic, home prices in Hong Kong remained stable in 2020, proving the resilience of the Hong Kong residential property market. In early 2020, Hong Kong experienced its first COVID-19 outbreak, prompting developers to put new launches on hold, which stunted new home market transactions and resulted in the secondary market transaction volume to shrink considerably. However, as the pandemic subsided, property prices bottomed out in late April 2020 and the Midland Property Price Index had risen by around 4% as of July 2020.

At the beginning of 2020, the home market ground to a halt during the first wave of the pandemic in Hong Kong. Across the second and third waves of the pandemic, transaction activities continued to be affected by the number of infected cases. Yet, the property market has remained intact in the latest wave of the pandemic, a sign that the market has digested most of the adverse impact of the pandemic and an indication of its strong foundation.

#### **Multiple Factors Improved Market Sentiment**

After the sharp deterioration in the global economy in the first half of 2020, there were signs of gradual improvement in the second half, especially in Asia where the recovery progress was the most satisfactory. For instance, the most remarkable economic recovery has been in Mainland China and its stable economic conditions greatly shored up the confidence of the Hong Kong people. Moreover, the global ultra-low interest rate environment is also favorable to the market. In late August 2020, the US Federal Reserve Board announced a major policy shift that allowed inflation to run above 2% before lifting the rates. The market has expected the interest rate to stay low for a considerable period of time.

During the reporting period, new home supply in Hong Kong was limited, which proved to be a favourable factor for the market. Due to the overall weak market sentiment in the first half of 2020, developers held off new project sales and focused on clearing up inventories instead. They speeded up the pace of new launches only when the market stabilised in the second half of the year. Some developers managed to raise the price when they launched subsequent batches and the response remained warm, indicating that the underlying demand for new homes was strong. Meanwhile, the government's decision to shelf the imposition of vacancy tax on new flats provided further relief to the primary home sector.



The government's housing policies have also proved beneficial to the secondary property market. The relaxation of the mortgage insurance programme by the government continued to boost demand for secondary residential properties. According to the figures from the Land Registry, the registration volume of secondary residential property sales in 2020 recorded a 15.2% growth compared with the same period in 2019, outperforming the primary residential property market. Benefitting from the policies, transactions of secondary properties worth between HK\$6 million to HK\$10 million surged.

### **Taking a Positive View and Seizing the Chance to Optimize**

From 2019 to 2020, the Hong Kong property market suffered the triple blow of the China-US trade war, the social movement, and the COVID-19 pandemic, which struck the Hong Kong economy hard. Yet the Group displayed exceptional management capability and adaptability in this difficult time. In the face of crises, the Group's management rode the tide, refined its strategy and optimised talent utilisation, as well as raised productivity, lowered operating costs and achieved significant progress in several areas:

- (1) Senior management pay cut showed solidarity: The Chairman of the Company took the lead in taking a pay cut of 40% for three months. All Executive Directors had salary reductions, and senior management took a pay freeze in order to join hands with our employees in this fight and riding out the difficult times together;
- (2) Promoted talent and strengthened management: The Group adhered to the philosophy of talent management based on capability, reassigned frontline and supporting management teams according to their productivity and leadership in order to raise the operating efficiency of the production line. We have successfully captured market opportunities during the downturn caused by the pandemic;
- (3) Restructured branch network and sought rent reduction: The Group realigned the branch network by continuously relocating inefficient branches. Rental reduction negotiations bore fruit, with overall rental expenses registering a drop of 8.5%. Local tenancies renewed last year saw their rents reduced by an average of around 30%. The Group has been actively considering relocating or closing those branches that were not granted rental reduction, maximizing the effectiveness of rental expenses;
- (4) Operating as usual in the pandemic: A "Pandemic Response Team" was formed to devise response mechanism and infection control measures, and shift and work-from-home rosters were implemented. Various work related technology and applications were introduced and infection prevention equipment was provided. Online meeting and mobile working solutions were promoted to ensure the Group's smooth operation during the height of the pandemic; and
- (5) Invested in technology and optimised network: The Group increased allocation of resources to develop real estate technology and improve the virtual property tour experience. The Group was the first in the industry to have agents making videos to show the properties, and then the rest of the industry followed suit. We constantly optimised our website and mobile application, and added virtual reality (VR) and augmented reality (AR) property tour videos, which facilitated transactions in the pandemic. During the reporting period, the Group raised its advertising and promotion expenses by 20% in response to market conditions, utilising promotions on online platforms to fine tune sales pitches. The Group's positive results were testament to the effectiveness of this investment.

## **Responded to Challenges with Vigorous Market Evaluation and Agility**

2020 was a difficult year for Hong Kong and for the world. Nevertheless, bearing the spirit of tenacity, the Group was able to weather the storm with the Hong Kong people. To cope with the challenges brought by the COVID-19 pandemic, the Group equipped our staff to work-from-home, and kept most of its branches in service and operation.

In the past year, the Group managed to gain ground in the local residential market, especially in the secondary residential property sector, through a series of reform initiatives. The continued shortage in new home supply in Hong Kong drove up the transaction volume in the local secondary residential market, the business of which is expected to become increasingly important to the Group.

The pandemic has led to a new market normal, including the prospect of prolonged low interest rates prompting investment activity and the rising popularity of digital engagement. Therefore, despite a weakened economy, the Group remained active in taking progressive steps to improve its sales operations and technological offerings, in order to enhance its competitiveness.

## **Personnel Assignment and Operations Adjustment Bore Fruit**

In preparation for the anticipated recovery in market sentiment, the Group has made some key personnel assignments at the sales management level in 2020. Immediate improvements were shown in the sales of primary projects located in Kai Tak and Tseung Kwan O, the two districts with ample new home supply.

Although the local economy has not yet fully rebounded, the Group believes that end-users as well as investment demand would stay strong as the low interest rate environment is expected to last. In 2020, the Group made a series of strategic reforms to encourage cross-districts referrals, in order to allow clients from different districts to focus on major residential developments and increase the Group's market share.

## **OUTLOOK**

### **Gradual Market Improvement and Strong Response**

The property market started on a high note in the beginning of 2021. The Group is cautiously optimistic about the industry outlook for the year ahead. In fact, even before the relaxation of the restrictions on group gatherings in mid-February 2021, the local property market had already shown signs of improvement. According to the figures from the Land Registry, the secondary residential property transaction volume for the first two months of the year recorded substantial increase of over 82% compared with the same period in 2020. Developers have become more active and new launches were enthusiastically received.

The Hong Kong property market can be segmented into super luxurious and mass residential sectors, which suit the needs of different groups of buyers. Due to scarcity, super luxurious properties have become more and more popular among those non-local buyers, some of them are even willing to spend lavishly and pay hefty buyer stamp duty for acquiring the super luxurious properties. And such properties are relatively less affected by the economic conditions. Indeed, after underperforming in the past two years, the local luxury sector has also shown signs of recovery in 2021. For instance, a unit of 21 Borrett Road, an upscale residential project, was sold at the record-breaking price of HK\$136,000 per square foot, the highest for apartment-type unit in Asia, and signalled a comeback for the Hong Kong property market. It is estimated that price growth of the super luxurious properties is expected to outperform that of the mass residential market.

### **Vaccines Prompt Global Economic Recovery - Hong Kong Financial Status Stays Solid**

As vaccination schemes are being gradually implemented around the world, the global economy is expected to significantly rebound in the second half of 2021. In addition, loose monetary policies and strong fiscal stimulus of each country will further support the global economic recovery. While inflation fear still instills uncertainty, the market consensus is that the interest rate will stay low for a considerable period of time.

China-US relations have not improved significantly after the US presidential election, which keeps Hong Kong under the shadow of uncertainty and might bring volatility to Hong Kong's trade and financial conditions. Nevertheless, the China-US tension underscores the importance of Hong Kong's role as a bridge between Mainland China and the rest of the world and should not be a cause for excessive concern.

In 2020, with its strong capital raising power, Hong Kong's financial market has attracted a total of 154 companies to list in Hong Kong and raised HK\$394.2 billion in aggregate. In particular, the number of newly listed large tech companies shot up. The Group is optimistic about Hong Kong's future prospects and believes the listing boom in Hong Kong will continue in 2021. If borders are reopened this year, the local economy is likely to stage a strong growth, but the progress of the economic recovery would depend on the containment of the pandemic. As the vaccination programme has already been launched in Hong Kong, we have reason to be optimistic that the economic improvements are within sight. In the meantime, the Group is aware that the global political and economic landscape is filled with uncertainty, in addition to the changeable nature of Mainland China's property policies, so the Group will stay vigilant and closely monitor the market development.

## **Innovated to Embrace the Era of Digitalisation**

In 2020, the Group introduced the “Fully Digitised Branch” service concept at the LOHAS Park branch in Tseung Kwan O. It provides digital maps and comprehensive property information through the installation of an innovative touch screen at the storefront. Apart from enhancing customers’ experience, it also facilitates the customers to obtain the most up-to-date property information without making any human contacts.

At the same time, the Group continued to develop its online platform. In 2020, the agents of Midland Realty produced over 1,800 short-video clips, and offered virtual property tours to the customers. The market response to this contactless property tour has been strong and the clips reached 20 million views during the year.

In addition to the platform for online virtual property tours, the Group proactively upgraded the functionalities of its mobile application and website, resulting in a significant growth in traffic. Within the year 2020, 150 million visits were recorded across the two platforms and the number of mobile application downloads surged by 50%. The Group’s commitment to putting resources in the digital realm was recognised by the Marketing DigiZ Awards, at which the Group won six awards.

## **Timely Adaptation to Capture Opportunities**

The world is ever changing. It is vital that we stay focused on what we can control. The Group is well prepared and is confident to capture more local business opportunities in the future. In recent years, the Group has made good progress towards two strategic priorities, namely, strengthening its foothold in the local secondary market and enhancing its digital engagement. Looking ahead to 2021, the Group will continue to be committed to strengthening our competitive edge.

The market has high hopes on the COVID-19 vaccine rollout. The Group is confident that the strategic steps it has taken amid the pandemic would pay off when the China-Hong Kong border reopens. In order to prepare for a normalisation of the cross-border activities after the border reopens, the Group has set up a new team specialising in the sales of properties located in the Greater Bay Area, so as to seize the opportunities therein.

The Group anticipates the property market to heat up further in the second half of 2021, as well as a simultaneous rise in inflation. During the height of the outbreak in Hong Kong in 2020, the Group was successful in obtaining rent concessions at renewal from most of the landlords. However, if the local economy fully recovers following the containment of the pandemic, the Group would have to double its efforts in controlling the relevant rental costs. In addition, the Group will keep striving to raise both market share and operational efficiency.

As Hong Kong and the world remain shrouded by the uncertainties arising from the pandemic, the Group will continue to strive for progress and proactively deal with challenges, and will ride out difficult times with our staff.

## FINANCIAL REVIEW

### Liquidity and financial resources

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

As at 31 December 2020, the Group had cash and bank balances of HK\$940,608,000 (2019: HK\$1,151,688,000).

As at 31 December 2020, the interest-bearing bank borrowings of the Group amounted to HK\$228,000,000 (2019: HK\$489,000,000) and with maturity profile set out as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Repayable within 1 year	<u>228,000</u>	<u>489,000</u>

As at 31 December 2020, the gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, was 20.9% (2019: 36.9%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (2019: 1.1). The return on equity, which is the ratio of profit/(loss) for the year over the total equity of the Group, was 12.10% (2019: -5.20%).

As at 31 December 2020, the Group has unutilised borrowing facilities amounting to HK\$2,513,800,000 (2019: HK\$2,201,556,000) from various banks. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company (the “Directors”) will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group’s funding requirements.

As at 31 December 2020, certain land and buildings and investment properties held by the Group of HK\$57,358,000 (2019: HK\$58,465,000) and HK\$43,820,000 (2019: HK\$61,353,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured, inter alia, by floating charge over certain receivables of the Group with carrying value of approximately HK\$2,558,785,000 (2019: HK\$1,917,269,000).

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

On 19 October 2020, the Board declared an interim dividend in the form of distribution in specie of the Midland IC&I shares held by the Group to the shareholders of the Company in the proportion of 1,700 Midland IC&I shares for every 2,000 issued shares of the Company. A total of 610,976,997 Midland IC&I shares with an aggregate fair value of approximately HK\$363,040,000 were recognised as distribution during the year.

After the completion of the distribution in specie in November 2020, the Group ceased to hold any Midland IC&I share. Midland IC&I Group ceased to be accounted for as associates of the Group in the consolidated financial statements of the Company. As this regard, a loss on disposal of associates of HK\$1,555,000 was recognised in this year. Further details of the above transaction were disclosed in the announcement of the Company dated 19 October 2020.

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 31 December 2020, the Company executed corporate guarantee of HK\$2,823,800,000 (2019: HK\$2,752,556,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2020, banking facilities of HK\$277,466,000 were utilised by the subsidiaries (2019: HK\$528,899,000).

## **EMPLOYEE INFORMATION**

As at 31 December 2020, the Group employed 7,176 full time employees (2019: 6,726) of which 6,049 were sales agents, 634 were back office supportive employees and 493 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.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2020.

## **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 2020.

## **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 2020.

## **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 2020. The figures in respect of this announcement of the Group's results for the year ended 31 December 2020 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 2020 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.midland.com.hk](http://www.midland.com.hk)). The 2020 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 extend my sincere gratitude to our board members and staff for their tireless dedication in the midst of the pandemic of the century. I would also like to take this opportunity to convey my appreciation to each of our shareholders and customers for their continued support for the Group. We will keep doing our best to offer quality services, in order to lead the Group to a brighter future.

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

Hong Kong, 30 March 2021

*As at the date of this announcement, the Board comprises eight Directors, of which four are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. WONG Tsz Wa, Pierre and Mr. CHEUNG Kam Shing; one is Non-Executive Director, namely Mr. WONG Wing Cheung Dennis; and three are Independent Non-Executive Directors, namely Mr. HO Kwan Tat, Ted, Mr. SUN Tak Chiu and Mr. WONG San.*