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Midland IC&I Limited
美聯工商舖有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 459)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors (the “Board”) of Midland IC&I Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021 (the “Interim Period”) together with the comparative figures as follows:

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

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenues	3	288,818	141,384
Other income, net	4	524	2,523
Staff costs		(156,348)	(93,029)
Rebate incentives		(33,048)	(19,090)
Advertising and promotion expenses		(3,923)	(3,989)
Amortisation of right-of-use assets (lease)		(13,242)	(16,578)
Depreciation of property and equipment		(821)	(1,461)
Net impairment losses on financial assets		(18,393)	(2,965)
Other operating costs	5	(19,831)	(15,754)
Operating profit/(loss)		43,736	(8,959)
Bank interest income		209	5,015
Interest on bank loans		(1,239)	(2,212)
Interest on lease liabilities		(253)	(449)
Interest on convertible note		(1,829)	(3,958)
Profit/(loss) before taxation		40,624	(10,563)
Taxation	6	(7,387)	2,702
Profit/(loss) and total comprehensive income/(loss) for the period		33,237	(7,861)

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

For the six months ended 30 June 2021

	<i>Note</i>	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
Profit/(loss) and total comprehensive income/(loss) attributable to :			
Equity holders		33,255	(7,784)
Non-controlling interests		(18)	(77)
		33,237	(7,861)
Earnings/(loss) per share	<i>7</i>	<i>HK cents</i>	<i>HK cents</i>
Basic		1.842	(0.431)
Diluted		1.728	(0.431)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2021

	<i>Note</i>	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
ASSETS			
Non-current assets			
Property and equipment		2,408	2,570
Right-of-use assets		24,268	20,168
Investment properties	9	813,600	813,600
Deposits		20,936	-
Other financial assets at amortised cost		25,267	27,796
Deferred tax assets		8,653	10,755
		895,132	874,889
		-----	-----
Current assets			
Trade and other receivables	10	176,168	116,617
Loan receivables	11	204,125	114,340
Other financial assets at amortised cost		15,543	17,235
Tax recoverable		1,078	6,386
Cash and cash equivalents		304,331	478,319
		701,245	732,897
		-----	-----
Total assets		1,596,377	1,607,786
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves		188,713	155,458
		1,114,327	1,081,072
Non-controlling interests		6,890	6,908
		1,121,217	1,087,980
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CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
(CONTINUED)

As at 30 June 2021

	<i>Note</i>	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		6,453	4,531
Lease liabilities		5,965	4,456
Bank loans	12	246,500	131,000
		<u>258,918</u>	<u>139,987</u>
Current liabilities			
Trade and other payables	14	181,433	155,512
Amounts due to non-controlling interests	15	420	420
Lease liabilities		21,203	18,236
Bank loans	12	7,284	3,332
Tax payable		5,902	3,631
Convertible note	13	-	198,688
		<u>216,242</u>	<u>379,819</u>
Total liabilities		<u>475,160</u>	<u>519,806</u>
Total equity and liabilities		<u>1,596,377</u>	<u>1,607,786</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

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

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

This unaudited condensed consolidated interim financial information was approved by the Board on 25 August 2021.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared under the historical cost convention as modified by the revaluation of investment properties which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group’s consolidated financial statements for the year ended 31 December 2020, except for the adoption of the new or amended HKFRSs, HKASs and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2021.

2 Basis of preparation (continued)

Significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

(a) New standards, interpretation and amendments effective in 2021

The adoption of the new or revised standards, interpretations and amendments does not have a material impact to the Group's results of operations or financial position.

(b) New standards, interpretation and amendments which are not yet effective

The Group has not early applied the new or revised standards, interpretations and amendments that have been issued but not yet effective. The adoption of these new or revised standards, interpretations and amendments is not expected to have a material impact on the Group's unaudited interim results and financial position.

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<i>Revenues from contracts with customers within the scope of HKFRS 15</i>		
Agency fee	270,252	129,098
<i>Revenues from other sources</i>		
Rental income	9,558	9,195
Interest income from credit business	7,980	2,413
Interest income from securities investment	1,028	678
	<u>18,566</u>	<u>12,286</u>
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Total revenues	<u><u>288,818</u></u>	<u><u>141,384</u></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 determine the operating segments based on these reports.

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

	Six months ended 30 June 2021						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenues	113,564	62,744	107,528	9,558	7,980	1,028	302,402
Inter-segment revenues	(3,298)	(4,132)	(6,154)	-	-	-	(13,584)
Revenues from external customers	110,266	58,612	101,374	9,558	7,980	1,028	288,818
Timing of revenue recognition							
- At a point in time	110,266	58,612	101,374	-	-	-	270,252
Rental income	-	-	-	9,558	-	-	9,558
Interest income	-	-	-	-	7,980	1,028	9,008
	110,266	58,612	101,374	9,558	7,980	1,028	288,818
Segment results	14,920	5,561	18,149	5,808	5,342	817	50,597
Amortisation of right-of-use assets (lease)	(5,588)	(2,900)	(4,754)	-	-	-	(13,242)
Depreciation of property and equipment	(58)	(250)	(478)	(32)	(3)	-	(821)
Net impairment losses on financial assets	(4,422)	(1,466)	(12,505)	-	-	-	(18,393)
Additions to non-current assets	9	424	36	15	1	-	485

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Fair value gain/(loss) on convertible note, government subsidy, corporate expenses, bank interest income, interest on bank loans, interest on convertible note and taxation are not included in the segment results.

Revenues between segments arose from transactions which are carried out on terms with reference to market practice. Revenues from external customers reported to the Executive Directors are measured in a manner consistent with that in the condensed consolidated statement of comprehensive income. The revenue from external customers is the same as the total revenue per condensed consolidated statement of comprehensive income.

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Segment results for reportable segments	50,597	(7,538)
Fair value gain/(loss) on convertible note (note 13)	517	(2,138)
Government subsidy	-	4,609
Corporate expenses	(7,631)	(4,341)
Bank interest income	209	5,015
Interest on bank loans	(1,239)	(2,212)
Interest on convertible note (note 13)	(1,829)	(3,958)
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Profit/(loss) before taxation per condensed consolidated statement of comprehensive income	40,624	(10,563)
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Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reportable segment:

	As at 30 June 2021						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	76,042	49,139	72,468	836,155	204,271	41,076	1,279,151
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Segment liabilities	66,994	51,179	60,370	17,981	1,880	224	198,628
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	As at 31 December 2020						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	56,748	29,499	44,139	817,100	121,654	45,326	1,114,466
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Segment liabilities	70,053	36,527	39,300	18,223	1,362	174	165,639
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

3 Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Segment assets	1,279,151	1,114,466
Corporate assets	308,573	482,565
Deferred tax assets	8,653	10,755
Total assets per condensed consolidated balance sheet	<u>1,596,377</u>	<u>1,607,786</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Segment liabilities	198,628	165,639
Corporate liabilities	270,079	349,636
Deferred tax liabilities	6,453	4,531
Total liabilities per condensed consolidated balance sheet	<u>475,160</u>	<u>519,806</u>

4 Other income, net

	Six months ended 30 June 2021 HK\$'000	2020 HK\$'000
Fair value gain/(loss) on convertible note (note 13)	517	(2,138)
Government subsidy	-	4,609
Others	7	52
	<u>524</u>	<u>2,523</u>

5 Other operating costs

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Office and branch operating expenses (Remark)	6,372	5,677
Government rent and rates, building management fee (leased properties and investment properties)	2,782	2,767
Legal and professional fee	3,420	2,230
Trademark licensing fee	1,189	-
Auditor's remuneration		
– audit services	629	629
– interim results review	343	343
Others	5,096	4,108
	<u>19,831</u>	<u>15,754</u>

For the period ended 30 June 2021, direct operating expenses arising from investment properties that generated rental income were HK\$2,373,000 in which HK\$1,197,000 were included in other operating costs.

For the period ended 30 June 2020, direct operating expenses arising from investment properties that generated rental income and did not generate rental income were HK\$1,597,000 and HK\$202,000 respectively, in which HK\$549,000 were included in other operating costs.

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

6 Taxation

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current		
– Hong Kong profits tax	3,363	592
Deferred taxation	4,024	(3,294)
	<u>7,387</u>	<u>(2,702)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2020: 16.5%) on the estimated assessable profit for the period.

7 Earnings/(loss) per share

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders	33,255	(7,784)
Effect on conversion of convertible note	1,312	-
	<u>34,567</u>	<u>(7,784)</u>
Profit/(loss) for calculation of diluted earnings/(loss) per share	<u>34,567</u>	<u>(7,784)</u>
Weighted average number of shares for calculation of basic earnings/(loss) per share (thousands)	1,805,283	1,805,283
Effect on conversion of convertible note (thousands)	194,571	-
	<u>1,999,854</u>	<u>1,805,283</u>
Weighted average number of shares for calculation of diluted earnings/(loss) per share (thousands)	<u>1,999,854</u>	<u>1,805,283</u>
Basic earnings/(loss) per share (HK cents)	1.842	(0.431)
Diluted earnings/(loss) per share (HK cents)	1.728	(0.431)

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 period.

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

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

8 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

9 Investment properties

HK\$'000

At 31 December 2020 and 30 June 2021

813,600

Investment properties of HK\$665,600,000 (as at 31 December 2020: HK\$279,900,000) are pledged as security for the Group's bank loans (note 12).

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 aging analysis of the trade receivables is as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Current (not yet due)	132,839	76,670
Less than 30 days past due	16,873	10,182
31 to 60 days past due	6,845	2,601
61 to 90 days past due	1,008	762
More than 90 days past due	1,703	643
	<u>159,268</u>	<u>90,858</u>

11 Loan receivables

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

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Within 1 year	<u>204,125</u>	<u>114,340</u>

Loan receivables represent property mortgage loans granted to customers in Hong Kong.

The Group's loan receivables are denominated in Hong Kong dollars.

12 Bank loans

The Group's bank loans comprise the following:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Current portion	7,284	3,332
Non-current portion	246,500	131,000
	<u>253,784</u>	<u>134,332</u>

The Group's bank loans are repayable as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Secured bank loan with repayment on demand clause		
- repayable within 1 year	1,061	1,312
- repayable after 1 year but within 2 years	1,091	1,075
- repayable after 2 years but within 5 years	632	945
	<u>2,784</u>	<u>3,332</u>
Secured bank loans without repayment on demand clause		
- repayable within 1 year	4,500	-
- repayable after 1 year but within 2 years	8,500	-
- repayable after 2 years but within 5 years	238,000	131,000
	<u>251,000</u>	<u>131,000</u>
	<u>253,784</u>	<u>134,332</u>

The bank loan with outstanding balance of HK\$2,784,000 (as at 31 December 2020: HK\$3,332,000) contains a repayment on demand clause and is classified as current liabilities. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The bank loans are secured by investment properties of HK\$665,600,000 (as at 31 December 2020: HK\$279,900,000) held by the Group (note 9) and corporate guarantee given by the Company.

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

13 Convertible note

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

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

	2021 HK\$'000
At 1 January	198,688
Interest expenses	1,829
Fair value gain	(517)
Redemption	(200,000)
	<hr/>
At 30 June	-
	<hr/> <hr/>

The Company has fully redeemed the convertible note at their principal amount of HK\$200 million on the Maturity Date.

14 Trade and other payables

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$17,333,000 (as at 31 December 2020: HK\$23,739,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period end, and all the remaining commissions and rebate payables are not yet due.

15 Amounts due to non-controlling interests

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

16 Event after the reporting period

In July 2021, the Group entered into a property acquisition agreement to acquire a shop in Hong Kong at a consideration of HK\$24,800,000.

In August 2021, the Group further entered into a target company acquisition agreement at a consideration of HK\$25,900,000. The principal asset of the target company is a shop in Hong Kong.

The transactions are to be completed in October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announce that for the Interim Period, it recorded a revenue of HK\$288,818,000 (corresponding period in 2020: HK\$141,384,000), and profit attributable to equity holders amounted to HK\$33,255,000 (corresponding period in 2020: loss attributable to equity holders amounted to HK\$7,784,000).

The turnaround of the Group's results in the Interim Period was mainly attributable to the rebound of non-residential property market in Hong Kong in the first half of 2021.

Rebound of Office, Industrial Premise and Shop Markets

As interest rate is expected to remain low for quite some time, and as the economy is gradually bottoming out and recovering, the non-residential property market has become active again. According to the figures from the Land Registry, after registering a half-on-half growth of 45.7% in the second half of 2020, non-residential property sales registrations increased by 28% in the first half of 2021 as compared with the second half of 2020. It appeared that the worst was over for the market and the local economy has begun to improve gradually.

During the Interim Period, the Group's properties investment segment registered a slight drop in operating profit while occupancy rate increased. The Group's money lending unit, Legend Credit Limited continued operating well, and actively developed loan portfolio, expanded loan size and posted profit growth.

Favorable Factors Boosted Transactions

The non-residential property market had suffered from a triple blow of trade disputes between Mainland and the US, social events and the outbreak of the pandemic. The sector was virtually frozen in the first half of 2020. The market had stabilized after the government introduced measures to stimulate the sales activities of the non-residential property sector. The Hong Kong Monetary Authority raised the mortgage ceiling for non-residential property from 40% to 50% in August 2020. In November 2020, the government abolished the Doubled Ad Valorem Stamp Duty on non-residential property transactions. These measures, coupled with the fact that pandemic getting largely contained in Hong Kong, led to a spectacular gain in the transaction volume of non-residential properties in the first half of 2021.

The global pandemic has forced many Hong Kong people who would normally have traveled overseas to stay put, offsetting the impact of the sharp decline of tourist arrivals on the retail sector. As the pandemic has gradually eased, the general consumption sentiment in Hong Kong has improved, driving up the transaction volumes of neighborhood shops, offices, and industrial premises. In the first half of 2021, the sales registration volume of shops rose by 130% as compared with the corresponding period in 2020. In the meantime, sales registration volumes of offices and industrial premises jumped by 191% and 172% respectively. The current ultra-low interest rate environment is lifting the market's investment sentiments. Experienced investors have been actively investing since the beginning of 2021, acquiring neighboring shops and some commercial properties which posted excessive drop in prices.

OUTLOOK

Bright Economic Prospects with Good Momentum for Recovery

The Group is positive on the market outlook. The fundamentals of the non-residential property sector have improved substantially after the restoration of public order and the containment of the pandemic. Demand for non-residential properties may further strengthen as the local GDP continues to grow. The Group believes that the recent rollout of the “Consumption Voucher Scheme” by the government will provide an extra boost to the economy.

Among various non-residential property sub-segments, neighboring shop segment is expected to outperform and drive up the overall shop market. Firstly, the “Consumption Voucher Scheme” launched by the government will help stimulate local spending, benefiting the retail sector, and landlords may gain bargaining power and raise rents and prices substantially. Secondly, the steady rise of the vaccination rate and the significant reduction in the number of domestically-transmitted COVID-19 cases have created a favorable condition for border reopening and boosted the confidence of consumers.

In addition, the Group is optimistic about the performance of both the office and the industrial segments. As the pandemic gets under control, many big corporations have cancelled their “Work from Home” arrangements. Even though it is hard to ascertain the actual impact of remote working in the post-pandemic era, demand for office premise is not likely to drop sharply further in the near term. As long as the monetary policies stay loose, investment demand for office and industrial premises are expected to stay strong.

External Factors Darken the Horizon

Nevertheless, market concerns remain. In 2020, the wealth effect prompted by the outstanding equity market performance provided strong support to the property market. But some investors might have incurred considerable loss in 2021 due to the volatility of the stock market and the substantial correction of some popular technology stocks. That said, the weakness of the stock market may not be adverse to the property sector. In the view of the loose monetary conditions, the appetite of the Hong Kong people for asset investment is particularly strong. If they lose confidence in the stock market, they may shift their focus to the property investment. Meanwhile, anxiety is growing about the loss of momentum for the US economy, which would drag down the global economic recovery. At present, the US is facing the triple blow of consumer goods supply bottlenecks, withdrawal of economic stimulus programs in some states, as well as the outbreak of the ultra-infectious Delta variant, all of which darken the horizon for the rebound of the US economy.

Fortunately, the Chinese government has implemented various measures to stimulate the economy. In July 2021, the Bank of China cut the reserve requirement ratio (RRR) by 50 basis points to free up approximately Renminbi 1 trillion of long-term capital to support the development of the economy. The Group is of the view that Hong Kong is to benefit from the economic growth in Mainland.

Strategic Adjustments to Seize Development Opportunities

In the past few months, the Group expanded its properties investment portfolio through acquiring a number of shops in Hong Kong at total consideration of around HK\$220 million with completion to take place after the Interim Period so as to broaden its source of income. In addition, the Group made a strategic move to reshuffle its sales management team, and enhanced on (1) increasing its market share in the en-bloc market; and (2) stimulating cross-referrals among various business units. The Group will continue to explore opportunities to enrich its properties investment portfolio and to develop its money lending business while at the same time strengthening the market position of its agency business.

In view of the Group’s restructuring of the human resources in July, the reinvigoration of the sales management team and the bottoming out of the non-residential properties market, the Group hopes the business outlook to continue to stay positive.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2021, the Group had cash and cash equivalents of HK\$304,331,000 (as at 31 December 2020: HK\$478,319,000) and bonds investment of HK\$40,810,000 (as at 31 December 2020: HK\$45,031,000), whilst bank loans amounted to HK\$253,784,000 (as at 31 December 2020: HK\$134,332,000).

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

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Secured bank loan with repayment on demand clause (<i>note</i>)		
- repayable within 1 year	1,061	1,312
- repayable after 1 year but within 2 years	1,091	1,075
- repayable after 2 years but within 5 years	632	945
	2,784	3,332
Secured bank loans without repayment on demand clause		
- repayable within 1 year	4,500	-
- repayable after 1 year but within 2 years	8,500	-
- repayable after 2 years but within 5 years	238,000	131,000
	251,000	131,000
	253,784	134,332
Convertible note		
- repayable within 1 year	-	198,688

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\$665,600,000 (as at 31 December 2020: HK\$279,900,000). As at 30 June 2021, the Group had unutilised borrowing facilities amounting to HK\$145,000,000 (as at 31 December 2020: HK\$65,000,000) from banks. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loans are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

During the Interim Period, the Company has fully redeemed the convertible note at their principal amount of HK\$200 million.

As at 30 June 2021, the gearing ratio of the Group was 22.6% (as at 31 December 2020: 30.6%). The gearing ratio is calculated on the basis of the Group's total bank loans and convertible note over total equity of the Group.

The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 3.2 (as at 31 December 2020: 1.9). The return on equity of the Group, which is the ratio of profit / (loss) for the period over total equity was 3.0% (for the six months ended 30 June 2020: -0.7%).

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its available cash so as to generate investment return to enhance the Group's financial position. The criteria for selection of investments will include (i) the risk profile involved and not speculative in nature; (ii) the liquidity of an investment; (iii) the after tax equivalent yield of an investment; and (iv) structured products are prohibited. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities with good credit quality. Investment in fixed income products are structured in different maturity profile to cater for ongoing business development. As at 30 June 2021, the Group has short term bank deposits of HK\$186,708,000 (as at 31 December 2020: HK\$349,844,000) and bonds investment of HK\$40,810,000 (as at 31 December 2020: HK\$45,031,000).

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

Acquisition of properties

(i) Acquisition agreements entered into during the Interim Period

In May and June 2021, the Group entered into several properties acquisition agreements (the "Properties Acquisition Agreements") and target companies acquisition agreements (the "Target Companies Acquisition Agreements").

Pursuant to the Properties Acquisition Agreements, the Group has agreed to acquire 3 shops in Hong Kong at a total consideration of HK\$97.3 million. The transactions are to be completed in August and September 2021.

Pursuant to the Target Companies Acquisition Agreements, the Group has agreed to acquire the entire issued shares (and including the assignment of sale debt) of the target companies at a total consideration of HK\$71.3 million. The principal assets of the target companies are 2 shops in Hong Kong. The transactions are to be completed in September 2021.

Details of the acquisitions were set out in the Company's announcements dated 7 May 2021, 10 May 2021, 13 May 2021, 14 May 2021 and 9 June 2021.

(ii) Acquisition agreements entered into after the Interim Period

In July 2021, the Group has further entered into a property acquisition agreement to acquire a shop in Hong Kong at a consideration of HK\$24.8 million. The transaction is to be completed in October 2021.

In August 2021, the Group has entered into another target company acquisition agreement, in which the Group has agreed to acquire the entire issued shares (and including the assignment of sale debt) of the target company at a consideration of HK\$25.9 million. The principal asset of the target company is a shop in Hong Kong. The transaction is to be completed in October 2021.

Details of the acquisitions were set out in the Company's announcements dated 7 July 2021 and 18 August 2021.

All the above properties are intended to be leased out for rental income. The Group intend to settle the above acquisitions using internal resources and/or external financing of the Group.

The financial position of the Group remains solid and healthy. The above acquisitions allow the Group to further broaden the income source and avoid the reliance on its volatile agency fee income and allow the Group to enjoy the possible capital appreciation of the properties.

With committed banking facilities in place, continuous cash inflow from property agency business and a solid base of recurrent income, 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.

Contingent Liabilities

As at 30 June 2021, the Company executed corporate guarantee amounting to HK\$410,780,000 (as at 31 December 2020: HK\$210,780,000) as the securities for general banking facilities and borrowing facilities granted to certain subsidiaries. As at 30 June 2021, banking facilities of HK\$253,784,000 (as at 31 December 2020: HK\$134,332,000) were utilised by these subsidiaries.

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

Employee information

As at 30 June 2021, the Group employed 594 full-time employees (as at 31 December 2020: 570).

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 (2020: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Listing Rules throughout the Interim Period.

On 6 May 2021, Mr. YING Wing Cheung, William resigned as an Independent Non-Executive Director, and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Accordingly, the respective number of Independent Non-Executive Directors and Audit Committee members of the Company fell below the required minimum number under Rules 3.10(1) and 3.21 of the Listing Rules. On 1 July 2021, the Company announced the appointment of Mr. WONG Chung Kwong as an Independent Non-Executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Following the aforesaid appointment, the Company has fulfilled the requirement of the respective minimum number of Independent Non-Executive Directors and Audit Committee members under the Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions at all applicable times during the Interim Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF 2021 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandici.com.hk). The Company's 2021 Interim Report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to express our heartfelt gratitude to our shareholders and customers, and to thank our management and staff for their dedication and efforts during the Interim Period.

By Order of the Board
Midland IC&I Limited
WONG Ching Yi, Angela
Executive Director

Hong Kong, 25 August 2021

As at the date of this announcement, the Board comprises seven Directors, of which four are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. LO Chin Ho, Tony and Mr. WONG Alexander Yiu Ming; and three are Independent Non-Executive Directors, namely Mr. SHA Pau, Eric, Mr. HO Kwan Tat, Ted and Mr. WONG Chung Kwong.