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Midland Holdings Limited
美聯集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1200)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “Board”) of Midland Holdings 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 INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
	Note	2021	2020
		HK\$'000	HK\$'000
Revenues	3(a)	3,446,267	2,468,046
Other income, net	4	4,071	37,368
Staff costs		(1,698,937)	(1,204,995)
Rebate incentives		(992,492)	(797,473)
Advertising and promotion expenses		(56,593)	(35,607)
Operating lease charges in respect of office and shop premises		(29,729)	(26,764)
Amortisation of right-of-use assets (lease)		(278,762)	(300,149)
Depreciation of property and equipment		(26,202)	(25,215)
Net impairment losses on financial assets		(1,429)	(10,575)
Other operating costs	5	(143,723)	(111,492)
Operating profit/(loss)		222,471	(6,856)
Bank interest income		113	249
Interest on bank loans and overdrafts		(5,949)	(4,786)
Interest on lease liabilities		(8,455)	(11,868)
Share of results of joint ventures		11,136	7,252
Share of results of associates		-	(2,634)
Profit/(loss) before taxation		219,316	(18,643)
Taxation	6	(42,896)	(5,711)
Profit/(loss) for the period attributable to equity holders		176,420	(24,354)
		HK cents	HK cents
Earnings/(loss) per share	8		
Basic		24.57	(3.39)
Diluted		24.57	(3.39)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) for the period attributable to equity holders	176,420	(24,354)
Other comprehensive (loss)/income	-----	-----
<i>Item that will not be reclassified to profit or loss</i>		
Fair value gains on financial assets at fair value through other comprehensive income	178	43
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(923)	127
Other comprehensive (loss)/income for the period, net of tax	(745)	170
	=====	=====
Total comprehensive income/(loss) for the period attributable to equity holders, net of tax	175,675	(24,184)
	=====	=====

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		159,025	154,303
Right-of-use assets		528,063	548,787
Investment properties		74,570	73,701
Interests in joint ventures		29,380	35,818
Financial assets at fair value through other comprehensive income		3,657	3,701
Deferred tax assets		12,040	12,060
Loan receivables	9	2,500	881
		809,235	829,251
Current assets			
Trade and other receivables	10	4,155,963	3,154,088
Taxation recoverable		18	8,333
Loan receivables	9	71,826	96,258
Short-term bank deposits		-	2,454
Cash and cash equivalents		1,925,639	938,154
		6,153,446	4,199,287
Total assets		6,962,681	5,028,538

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
EQUITY AND LIABILITIES			
Equity holders			
Share capital		71,805	71,805
Share premium		223,505	223,505
Reserves		969,871	794,095
Total equity		1,265,181	1,089,405
Non-current liabilities			
Deferred tax liabilities		8,515	7,809
Lease liabilities		223,798	209,960
		232,313	217,769
Current liabilities			
Trade and other payables	<i>11</i>	3,818,213	3,031,746
Borrowings		1,180,300	228,000
Lease liabilities		431,167	459,910
Taxation payable		35,507	1,708
		5,465,187	3,721,364
Total liabilities		5,697,500	3,939,133
Total equity and liabilities		6,962,681	5,028,538

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)

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.

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 26 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 and financial assets at fair value through other comprehensive income, 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 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.

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, interpretations and amendments effective in 2021

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

(b) New standards, interpretations 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 HK\$'000	2020 HK\$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
- Agency fee	3,433,439	2,458,553
- Immigration consultancy services	6,846	1,016
- Web advertising	108	108
- Other services	1,137	1,096
	<u>3,441,530</u>	<u>2,460,773</u>
Revenues from other sources		
- Rental income	1,565	1,691
- Interest income from loan receivables	3,172	5,582
	<u>3,446,267</u>	<u>2,468,046</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)

	Six months ended 30 June 2021			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment revenues	3,380,879	52,560	16,662	3,450,101
Inter-segment revenues	-	-	(3,834)	(3,834)
Revenues from external customers	3,380,879	52,560	12,828	3,446,267
Timing of revenue recognition				
- At a point in time	3,380,879	52,560	1,137	3,434,576
- Over time	-	-	6,954	6,954
Rental income	-	-	1,565	1,565
Interest income from loan receivables	-	-	3,172	3,172
	3,380,879	52,560	12,828	3,446,267
Segment results	241,140	(5,487)	19,541	255,194
Amortisation of right-of-use assets (lease)	(277,800)	(962)	-	(278,762)
Depreciation of property and equipment	(25,092)	(509)	(369)	(25,970)
Net impairment losses on financial assets	(1,203)	(226)	-	(1,429)
Share of results of joint ventures	-	-	11,136	11,136
Fair value gains on investment properties	-	-	509	509
Impairment losses on right-of-use assets	(17,007)	(5,113)	-	(22,120)
Impairment losses on property and equipment	(1,402)	(430)	-	(1,832)
Additions to property and equipment	31,882	855	14	32,751

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		Others HK\$ '000	Total HK\$ '000
	Residential properties HK\$ '000	Commercial and industrial properties and shops HK\$ '000		
Segment revenues	2,434,016	24,537	13,327	2,471,880
Inter-segment revenues	-	-	(3,834)	(3,834)
Revenues from external customers	2,434,016	24,537	9,493	2,468,046
Timing of revenue recognition				
- At a point in time	2,434,016	24,537	1,096	2,459,649
- Over time	-	-	1,124	1,124
Rental income	-	-	1,691	1,691
Interest income from loan receivables	-	-	5,582	5,582
	2,434,016	24,537	9,493	2,468,046
Segment results	(31,368)	(11,604)	9,058	(33,914)
Amortisation of right-of-use assets (lease)	(298,495)	(1,654)	-	(300,149)
Depreciation of property and equipment	(24,201)	(419)	(363)	(24,983)
Net impairment losses on financial assets	(10,153)	(422)	-	(10,575)
Share of results of joint ventures	-	-	7,252	7,252
Share of results of associates	-	(2,634)	-	(2,634)
Fair value losses on investment properties	-	-	(2,719)	(2,719)
Additions to property and equipment	24,055	325	80	24,460

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, bank interest 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 condensed 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:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Segment results for reportable segments	255,194	(33,914)
Corporate expenses	(30,042)	(18,146)
Government subsidy	-	37,954
Bank interest income	113	249
Interest on bank loans and overdrafts	(5,949)	(4,786)
	<hr/>	<hr/>
Profit/(loss) before taxation per condensed consolidated income statement	219,316	(18,643)
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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 30 June 2021			
	Property agency			
	Residential properties	Commercial and industrial properties and shops	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	5,595,564	50,755	199,105	5,845,424
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Segment assets include:				
Interests in joint ventures	-	-	29,380	29,380
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities	4,393,874	69,726	24,929	4,488,529
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2021 <i>HK\$ '000</i>	As at 31 December 2020 <i>HK\$ '000</i>
Segment assets	5,845,424	4,325,604
Corporate assets	1,101,560	687,173
Deferred tax assets	12,040	12,060
Financial assets at fair value through other comprehensive income	3,657	3,701
Total assets per condensed consolidated balance sheet	6,962,681	5,028,538

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2021 <i>HK\$ '000</i>	As at 31 December 2020 <i>HK\$ '000</i>
Segment liabilities	4,488,529	3,690,838
Corporate liabilities	1,200,456	240,486
Deferred tax liabilities	8,515	7,809
Total liabilities per condensed consolidated balance sheet	5,697,500	3,939,133

3 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Revenues from external customers		
Hong Kong and Macau	3,088,452	2,174,093
PRC	357,815	293,953
	<u>3,446,267</u>	<u>2,468,046</u>

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

4 Other income, net

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Fair value gains/(losses) on investment properties	509	(2,719)
Government subsidy	-	37,954
Others	3,562	2,133
	<u>4,071</u>	<u>37,368</u>

5 Other operating costs

The major other operating costs are as follows:

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Direct operating expenses arising from investment properties that:		
– generated rental income	74	84
– did not generate rental income	16	16
Office and branch operating expenses (note (i))	62,354	55,470
Government rent and rates, building management fee of leased properties	23,003	23,579
Legal and professional fees	3,744	3,969
Staff recruitment, training and welfare	3,456	4,548
Insurance expenses	7,825	4,972
Bank charges	11,299	10,268
Impairment losses on right-of-use assets (note (ii))	22,120	-
Impairment losses on property and equipment (note (ii))	1,832	-
Loss on disposal of property and equipment	177	77
Net foreign exchange losses	195	32
Auditor's remuneration		
– audit services	1,564	1,564
– interim results review	573	573
	<u>1,564</u>	<u>1,564</u>

Notes:

- (i) Office and branch operating expenses include utilities expenses, communication expenses, printing and stationery, transportation, licence fee and repair and maintenance.
- (ii) The Group regards each district/region as a separately identifiable cash-generating unit. Management carries out an impairment assessment on cash-generating units when an impairment indicator exists and the carrying amounts may not be recoverable. The carrying amount of the related assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

6 Taxation

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Current taxation		
Hong Kong profits tax	42,245	3,303
Overseas	(75)	52
Deferred taxation	726	2,356
	<u>42,896</u>	<u>5,711</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. 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 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).

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 ended 31 December 2020, 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 ceased to be accounted for as associates of the Group.

8 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 for the calculation of basic earnings/(loss) per share	176,420	(24,354)
Number of shares for the calculation of basic and diluted earnings/(loss) per share (thousands)	718,046	718,046
Basic earnings/(loss) per share (HK cents)	24.57	(3.39)
Diluted earnings/(loss) per share (HK cents)	24.57	(3.39)

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.

For the six months ended 30 June 2021, the diluted earnings per share is the same as the basic earnings per share as the exercise of share options of the Company would have an anti-dilutive effect.

For the six months ended 30 June 2020, 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:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Within 1 year	71,826	96,258
Over 1 year but less than 2 years	384	357
Over 2 years but less than 3 years	879	393
Over 3 years	1,237	131
	74,326	97,139

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

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:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Current (not yet due)	3,631,424	2,686,186
Less than 30 days past due	95,114	59,852
31 to 60 days past due	22,525	22,289
61 to 90 days past due	9,938	8,973
More than 90 days past due	38,273	18,606
	<u>3,797,274</u>	<u>2,795,906</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\$349,925,000 (as at 31 December 2020: HK\$325,108,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announce that for the Interim Period, the Group recorded a revenue of approximately HK\$3,446 million (corresponding period in 2020: HK\$2,468 million), and profit attributable to equity holders amounted to approximately HK\$176 million (corresponding period in 2020: loss attributable to equity holders amounted to approximately HK\$24 million).

The turnaround of the Group's results during the Interim Period was attributable to, among other factors: (1) the increase in the Group's market share in Hong Kong, and the successful capture of the rebound in the Hong Kong residential property market; (2) the substantial increase in operating profit of the Group's business under the brand name "Midland Realty 美聯物業"; and (3) the turnaround of the Group's business under the brand name "Hong Kong Property 香港置業" following the implementation of a series of strategic initiatives, including the optimization of management structure, which enabled it to capture the aforesaid market rebound and record profit.

Booming Property Market

The Hong Kong property market was red hot in the first half of 2021. As interest rate is expected to stay low for a considerable period of time, and the economy has recovered steadily, the pent-up demand has scrambled to get in the market. In response, developers have speeded up the pace of new launches during the Interim Period, driving up the number of new homes launched in the first and second quarter of 2021 by 21.5% and 10.7%, respectively, as compared to the corresponding period in 2020. One of the most popular new projects in recent years was Southland, a landmark luxury project located above Wong Chuk Hang MTR station, which attracted a lot of middle-class and affluent buyers. According to the figures from the Land Registry, the volume and value of new home registrations rose significantly in the first half of 2021 by 29.3% and 64.1% respectively, as compared to the corresponding period in 2020. Performance of the secondary home market was strong as well, with the volume and value of registrations increasing by 52.6% and 66.7% respectively, as compared to the corresponding period in 2020.

Multiple Factors Favoured the Property Market

According to the Midland Property Price Index, Hong Kong property prices rose by almost 6.2% in the first half of 2021, mainly due to the prolonged low interest rate environment and vaccination rollout. The price surge was also driven by the persistent supply shortage of land in Hong Kong. Housing supply has continued to stay relatively low in recent years after reaching a multi-year high in 2017/2018 despite the fact that the HKSAR government has implemented various means to boost land supply. In addition, the relaxation of the mortgage insurance program has given considerable support to the property market. Even the high-end properties that were not covered by the mortgage insurance program fared well, suggesting that the recovery was broad-based in the first half of 2021. In particular, the super-luxurious segment performed strongly. Per-square-foot price for some high-end properties reached new highs and outperformed the market.

The residential rental market has likewise improved. Border restrictions coupled with a weak economy had at one point seriously dampened rental demand. The cancellation of physical classes in university amid the pandemic has also led to the drop in rental demand as some mainland or overseas students could take online classes by distance learning. Thankfully, since the second quarter of 2021, the uptrend of rents has resumed. The residential rental market has remained strong in this summer.

Strengthened Market Position and Embraced Reforms in Response to Challenges

During the Interim Period, the Group achieved outstanding financial results, a series of management restructuring measures were implemented over the past few years. The Group has long held a strong conviction that the secondary home segment carries significant strategic value. The various reforms taken by the Group in recent years have prompted the market share of the “Midland Realty” brand in the local secondary residential market to increase continuously. The thriving performance of the secondary residential market in the Interim Period drove up the Group’s revenue.

The strengthening of the Group’s position in the secondary residential market also successfully helped improve its performance in the new home sector. In the Interim Period, the Group registered growth in market share in some new home projects. Not only did Midland Realty’s market share at the Kai Tak and Tseung Kwan O new home projects improve significantly in 2020, but it also managed to stay at a high level in the Interim Period. Near the end of 2020, the Group made significant personnel adjustments to optimize the frontline management of the Kowloon and New Territories districts. During the Interim Period, the Group has devoted considerable efforts to transform its other brand “Hong Kong Property”, revitalizing its sales management team and improving its profitability performance.

OUTLOOK

Positive Prospects Might be Clouded by External Factors

The Group is positive on the outlook of the residential property market in Hong Kong. Due to the sustained low interest rate environment, in addition to the housing shortage continuing into the second half of 2021, both residential sales volume and prices are likely to rise in tandem. Since the outbreak of the pandemic, rising home prices has become a global phenomenon against a backdrop of loose monetary policies. For instance, property prices in some international cities such as New York and Toronto registered double-digit growth last year. Hong Kong housing value is likely to catch up. Housing demand may further strengthen if local GDP continues to grow. Furthermore, the recent “Consumption Voucher Scheme” launched by the government is believed to provide a stronger boost to the local economy.

Nevertheless, stock market volatility in Hong Kong may lead to uncertainties about the housing sector. In 2020, the wealth effect prompted by the strong equity market performance provided strong support to the local property market. But in 2021, it has been eroded by the substantial correction of some popular technology stocks. Even so, a weakened stock market may not necessarily be unfavorable to the housing sector. The loose monetary conditions are spurring the appetite of the Hong Kong people for asset investment, and they may shift their focus from the stock market to the property market. Another concern of the market is that US’s economy, which has led the world’s rebound, could lose steam. Apart from consumer goods supply bottlenecks and the withdrawal of economic stimulus programs in some states, the US, like many other countries, now faces the ultra-infectious Delta variant.

Border Reopening Brightens Outlook Sales Transaction Value May Reach New Heights

Fortunately, the central government has been proactive in promoting economic recovery. In mid-July 2021, the Bank of China announced to cut the reserve requirement ratio (RRR) by 50 basis points to free up long-term capital of Renminbi 1 trillion to support the economy. Due to the geographical proximity of Hong Kong to Mainland, it is believed that Mainland's economic recovery will benefit Hong Kong's development. At present, the COVID-19 outbreak in Hong Kong has subsided and the vaccination rate has been rising. These are factors believed to be conducive to the reopening of the border between Hong Kong and Mainland. When that happens, the number of Mainland buyers of Hong Kong properties will increase. Indeed, in recent quarters, the number of buyers from Mainland has been rising steadily. Since Mainland buyers like new properties and large-sized units, it is expected that the primary home market and high-end segment will outperform if the border reopens.

One point worth mentioning is that the value of property sales registrations in the first half of 2021 amounted to HK\$474.4 billion, of which its value for the full year is on track to break the historic record of HK\$868 billion attained in 1997.

Ready for a Thriving Second Half

As the economy stays strong, the transaction volume of residential properties in the second half of 2021 is expected to remain high. The Group will continue to strengthen and deepen its market position. Property market trend hinges on Hong Kong town planning. Based on the future development plans of Hong Kong, most of the infrastructure projects in progress and in planning are located in Kowloon and the New Territories, thus boosting the development potential of these areas, where the Group will strengthen its presence accordingly. Traditionally, Hong Kong Island is where the wealthy resides, the Group has introduced changes to the management team a year ago, so as to provide the best service to the most affluent group of customers in Hong Kong.

Benefitting from the full service of the MTR Tuen Ma Line, travelling has become much easier and faster for the public, which will further enhance the mobility of homebuyers. Consequently, the Group will implement measures to stimulate cross referrals among branches in different locations, which will also help customers to choose properties in various districts. In addition, the Group expects the luxury property market to continue to outperform and it will keep devising diversified strategies to improve its position in the high-end segment.

Well-rounded Strategy to Simultaneously Develop and Enhance Digital and Physical Networks

As digital applications become increasingly important, the Group will keep investing in this aspect and improve the utilisation and operation of its digital platform. In the meantime, the Group attaches great importance to the operational development of its frontline branch network and puts a lot of efforts in improving the user experience of the customers during branch visits; including installing cutting-edge touch-screen displays at some selected branches to show the latest property information, as well as incorporating interactive elements to enrich the viewing experience.

Nevertheless, as the economy continues to recover and our competitors may stay aggressive and expand their branch networks as the market further revives, the competition within the industry will continue to intensify. In view of this, the Group will continue to strengthen our edge and strive for a stronger market share.

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 2021, the Group had cash and bank balances of HK\$1,925,639,000 (as at 31 December 2020: HK\$940,608,000).

As at 30 June 2021, the interest-bearing bank borrowings of the Group amounted to HK\$1,180,300,000 (as at 31 December 2020: HK\$228,000,000) and with maturity profile set out as follows:

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Repayable within 1 year	1,180,300	228,000

As at 30 June 2021, the net gearing ratio of the Group, which is calculated on the basis of net borrowings¹ (total borrowings less cash and bank balances) over the total equity of the Group, maintained at zero per cent (as at 31 December 2020: zero per cent). The gross gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, is 93.3% (as at 31 December 2020: 20.9%). Increase in gross 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. The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (as at 31 December 2020: 1.1). The return on equity, which is the ratio of profit/(loss) for the period over the total equity of the Group, was 13.94% (for the six months ended 30 June 2020: -1.87%).

As at 30 June 2021, the Group has unutilised borrowing facilities amounting to HK\$1,561,500,000 (as at 31 December 2020: HK\$2,513,800,000) 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 30 June 2021, certain land and buildings and investment properties held by the Group of HK\$56,805,000 (as at 31 December 2020: HK\$57,358,000) and HK\$44,570,000 (as at 31 December 2020: HK\$43,820,000) 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\$3,556,296,000 (as at 31 December 2020: HK\$2,558,785,000).

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.

¹ Net borrowings is zero when the amount of cash and bank balances is more than total borrowings.

Contingent liabilities

As at 30 June 2021, the Company executed corporate guarantee of HK\$2,823,800,000 (as at 31 December 2020: HK\$2,823,800,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2021, banking facilities of HK\$1,227,006,000 were utilised by these subsidiaries (as at 31 December 2020: HK\$277,466,000).

Employee information

As at 30 June 2021, the Group employed 7,251 full time employees (as at 31 December 2020: 7,176) of which 6,105 were sales agents, 644 were back office supportive employees and 502 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 (for the six months ended 30 June 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Interim Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

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

REVIEW OF FINANCIAL STATEMENTS

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

PUBLICATION OF 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.midland.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 am deeply grateful to our board members and staff for their contribution to the Group. I would also like to take this opportunity to express my thanks to our shareholders and customers for their unwavering support. We are committed as always to offering quality services, so as to create a better tomorrow for the Group.

By Order of the Board
Midland Holdings Limited
WONG Ching Yi, Angela
*Deputy Chairman, Managing Director and
Executive Director*

Hong Kong, 26 August 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.