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ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenues	3(a)	6,001,432	4,981,920
Other income, net	4	12,227	209,371
Staff costs		(2,897,781)	(2,445,231)
Rebate incentives		(1,803,924)	(1,500,477)
Advertising and promotion expenses		(115,942)	(75,679)
Operating lease charges in respect of office and shop premises		(54,722)	(62,874)
Amortisation of right-of-use assets (lease)		(575,928)	(591,686)
Depreciation of property and equipment		(52,687)	(50,301)
Net impairment losses on financial assets		(79,761)	(27,631)
Other operating costs	5	(281,956)	(267,669)
Operating profit		150,958	169,743
Bank interest income		206	471
Interest on bank loans and overdrafts		(12,868)	(12,213)
Interest on lease liabilities		(17,205)	(21,885)
Share of results of joint ventures		22,915	17,650
Share of results of associates		-	(3,744)
Profit before taxation		144,006	150,022
Taxation	6	(43,793)	(18,168)
Profit for the year attributable to equity holders		100,213	131,854

**CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividend	7	-	363,040
		<u> </u>	<u> </u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
Basic		13.96	18.36
Diluted		13.95	18.36
		<u> </u>	<u> </u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year attributable to equity holders	100,213	131,854
Other comprehensive income/(loss)	-----	-----
<i>Item that will not be reclassified to profit or loss</i>		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	723	(35)
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(2,879)	(6,212)
Other comprehensive loss for the year, net of tax	(2,156)	(6,247)
	=====	=====
Total comprehensive income for the year attributable to equity holders, net of tax	98,057	125,607
	=====	=====

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021**

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property and equipment		161,902	154,303
Right-of-use assets		726,498	548,787
Investment properties		75,341	73,701
Interests in joint ventures		41,158	35,818
Financial assets at fair value through other comprehensive income		2,038	3,701
Deferred tax assets		11,731	12,060
Loan receivables	9	2,385	881
		1,021,053	829,251
		-----	-----
Current assets			
Trade and other receivables	10	3,803,541	3,154,088
Taxation recoverable		410	8,333
Loan receivables	9	22,196	96,258
Short-term bank deposits		-	2,454
Cash and cash equivalents		1,505,527	938,154
		5,331,674	4,199,287
		-----	-----
Total assets		6,352,727	5,028,538
		=====	=====

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity holders			
Share capital		71,709	71,805
Share premium		222,235	223,505
Reserves		892,252	794,095
Total equity		1,186,196	1,089,405
Non-current liabilities			
Deferred tax liabilities		8,948	7,809
Lease liabilities		313,418	209,960
		322,366	217,769
Current liabilities			
Trade and other payables	<i>11</i>	3,594,539	3,031,746
Borrowings		687,000	228,000
Lease liabilities		533,315	459,910
Taxation payable		29,311	1,708
		4,844,165	3,721,364
Total liabilities		5,166,531	3,939,133
Total equity and liabilities		6,352,727	5,028,538

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 2021

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, interpretation and amendments that have been issued but not yet effective. The adoption of these new or revised standards, interpretation and amendments 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
- Agency fee	5,976,276	4,959,590
- Immigration consultancy services	12,117	5,773
- Web advertising	1,048	1,381
- Other services	3,413	3,098
	<u>5,992,854</u>	<u>4,969,842</u>
Revenues from other sources		
- Rental income	3,138	3,279
- Interest income from loan receivables	5,440	8,799
	<u>6,001,432</u>	<u>4,981,920</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 2021			
	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 revenues	5,879,786	96,490	32,824	6,009,100
Inter-segment revenues	-	-	(7,668)	(7,668)
Revenues from external customers	5,879,786	96,490	25,156	6,001,432
Timing of revenue recognition				
- At a point in time	5,879,786	96,490	3,413	5,979,689
- Over time	-	-	13,165	13,165
Rental income	-	-	3,138	3,138
Interest income from loan receivables	-	-	5,440	5,440
	5,879,786	96,490	25,156	6,001,432
Segment results	186,036	(14,764)	31,926	203,198
Amortisation of right-of-use assets (lease)	(573,141)	(2,787)	-	(575,928)
Depreciation of property and equipment	(50,253)	(1,233)	(737)	(52,223)
Net impairment losses on financial assets	(67,546)	(12,215)	-	(79,761)
Share of results of joint ventures	-	-	22,915	22,915
Fair value gains on investment properties	-	-	919	919
Impairment losses on right-of-use assets	(16,658)	(5,191)	-	(21,849)
Impairment losses on property and equipment	(3,566)	(1,138)	-	(4,704)
Additions to property and equipment	63,318	1,985	38	65,341

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 2020			
	Property agency			Total HK\$ '000
	Residential properties HK\$ '000	Commercial and industrial properties and shops HK\$ '000	Others 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

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, 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 consolidated income statement.

3 Revenues and segment information (continued)

(b) Segment information (continued)

A reconciliation of segment results to profit before taxation is provided as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Segment results for reportable segments	203,198	(806)
Corporate expenses	(46,530)	(46,673)
Government subsidy	-	210,798
Loss on disposal of associates	-	(1,555)
Bank interest income	206	471
Interest on bank loans and overdrafts	(12,868)	(12,213)
	<u>144,006</u>	<u>150,022</u>
Profit before taxation per consolidated income statement	<u>144,006</u>	<u>150,022</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. Sets out below is an analysis of assets and liabilities by reporting segments:

	As at 31 December 2021			
	<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>5,343,963</u>	<u>29,938</u>	<u>164,008</u>	<u>5,537,909</u>
Segment assets include:				
Interests in joint ventures	<u>-</u>	<u>-</u>	<u>41,158</u>	<u>41,158</u>
Segment liabilities	<u>4,376,449</u>	<u>58,311</u>	<u>21,100</u>	<u>4,455,860</u>

3 Revenues and segment information (continued)

(b) Segment information (continued)

	As at 31 December 2020			Total <i>HK\$ '000</i>
	Property agency Residential properties <i>HK\$ '000</i>	Commercial and industrial properties and shops <i>HK\$ '000</i>	Others <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:

	2021 <i>HK\$ '000</i>	2020 <i>HK\$ '000</i>
Segment assets	5,537,909	4,325,604
Corporate assets	801,049	687,173
Deferred tax assets	11,731	12,060
Financial assets at fair value through other comprehensive income	2,038	3,701
Total assets per consolidated balance sheet	6,352,727	5,028,538

Reportable segment liabilities are reconciled to total liabilities as follows:

	2021 <i>HK\$ '000</i>	2020 <i>HK\$ '000</i>
Segment liabilities	4,455,860	3,690,838
Corporate liabilities	701,723	240,486
Deferred tax liabilities	8,948	7,809
Total liabilities per consolidated balance sheet	5,166,531	3,939,133

3 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenues from external customers		
Hong Kong and Macau	5,348,828	4,281,217
PRC	652,604	700,703
	<u>6,001,432</u>	<u>4,981,920</u>

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

4 Other income, net

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value gains/(losses) on investment properties	919	(5,998)
Loss on disposal of associates	-	(1,555)
Government subsidy	-	210,798
Others	11,308	6,126
	<u>12,227</u>	<u>209,371</u>

Subsidy received under the Employment Support Scheme during the year ended 31 December 2020 of HK\$207,336,000 were included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to the grants.

5 Other operating costs

The major other operating costs are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Direct operating expenses arising from investment properties that:		
– generated rental income	151	149
– did not generate rental income	32	32
Office and branch operating expenses (note (i))	134,970	114,934
Government rent and rates, building management fee of leased properties	48,720	47,690
Legal and professional fees	9,401	10,276
Staff recruitment, training and welfare	7,415	8,934
Insurance expenses	15,924	12,914
Bank charges	24,380	19,437
Impairment losses on right-of-use assets (note (ii))	21,849	47,315
Impairment losses on property and equipment (note (ii))	4,704	776
Loss on disposal of property and equipment	558	181
Net foreign exchange gains	(487)	(900)
Donations	1,483	1,223
Auditor's remuneration		
– audit services	2,974	3,130
– interim results review	573	573
	<u><u> </u></u>	<u><u> </u></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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	43,161	6,979
Overseas	(836)	234
Deferred taxation	1,468	10,955
	<u>43,793</u>	<u>18,168</u>

The provision for Hong Kong profits tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Company which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2020.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend by way of distribution in specie	<u>-</u>	<u>363,040</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 share 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 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 2021 (2020: nil).

8 Earnings per share

The calculation of basic and diluted earnings per share is based on the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit attributable to equity holders for the calculation of basic and diluted earnings per share	100,213	131,854
Weighted average number of shares for the calculation of basic earnings per share (thousands)	717,801	718,046
Effect on conversion of share options (thousands)	661	-
Weighted average number of shares for the calculation of diluted earnings per share (thousands)	718,462	718,046
Basic earnings per share (HK cents)	13.96	18.36
Diluted earnings per share (HK cents)	13.95	18.36

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

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. For the year ended 31 December 2021, adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

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.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	22,196	96,258
Over 1 year but less than 2 years	965	357
Over 2 years but less than 3 years	1,137	393
Over 3 years	283	131
	24,581	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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current (not yet due)	3,332,559	2,686,186
Less than 30 days past due	45,251	59,852
31 to 60 days past due	16,615	22,289
61 to 90 days past due	11,912	8,973
More than 90 days past due	35,117	18,606
	<hr/> 3,441,454 <hr/>	<hr/> 2,795,906 <hr/>

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\$352,999,000 (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 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 Event after the reporting period

After the outbreak of the Omicron variant of COVID-19 in early 2022, a series of precautionary and control measures have been and continued to be implemented. The Group has paid close attention to the development of the COVID-19 outbreak and kept evaluating its impact on the financial position, cash flows and operating results of the Group. The outbreak is a non-adjusting post-balance sheet event. It is considered that this does not have any material impacts on the carrying value of assets or liabilities at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that for the year ended 31 December 2021, it recorded a consolidated profit attributable to equity holders of HK\$100 million, representing a 24% decrease as compared with that for the year ended 31 December 2020.

Benefitting from the Hong Kong government's Employment Support Scheme, the Group's profit for the year of 2020 increased. Excluding this one-off grant, the Group's financial results for the year of 2021 would have significantly improved from that in 2020, mainly due to the rapid recovery of the Hong Kong property market in the first half of 2021 and the increase in the Group's market share in Hong Kong, which has driven the Group's revenue to a historic high of HK\$6 billion in 2021.

Rapid Economic Recovery in the First Half of 2021 Heated Up the Market

According to the figures from the Land Registry, local residential transaction volume increased by 24% in 2021 as compared to that in 2020. Despite market concerns about the effects of factors including emigration, the property market remained unscathed. The overall "Midland Property Price Index" for Hong Kong in December 2021 stood at 171.6, representing an increase of approximately 5% as compared with the corresponding period in 2020. As the local pandemic eased in the first half of 2021, coupled with the rollout of the Hong Kong government's "Consumption Voucher Scheme", market sentiment was lifted, resulting in a strong economic growth in the first half of 2021 which helped boost the confidence of the residential property buyers.

In addition, according to the figures from the Land Registry, both the local primary and secondary residential sectors recorded a double-digit increase in the registration volume in the first half of 2021, as compared with the corresponding period in 2020. In particular, the registration volume in the secondary residential market grew by over 50%. In the meantime, the residential rental market has also bottomed out, indicating that the recovery of the overall residential property market in the first half of 2021 was broad-based.

External Factors in the Second Half of 2021 Slowed the Hong Kong Market

Nevertheless, the overall residential property market slowed down considerably from its peak in the second half of 2021. According to the figures from the Land Registry, the registration volume and value of the overall residential properties fell by 15% and 14%, respectively, in the second half of 2021 as compared with the first half of the same year. At the same time, market sentiments were battered by the correction of the local equities market in the second half of 2021, especially for some popular stocks, and the recent wave of debt defaults of the Mainland developers caused concern in the market.

Mainland Operations faced with Difficult Times

The Mainland property market fared even worse. As the central government was determined to contain the growth of the mounting debt of the Mainland property developers and limit their gearing, the Mainland property market turned sour. For instance, the transaction volume of the secondary residential market in Shenzhen, being the Group's main operation in Mainland, tumbled approximately 57.3% in 2021 as compared with that in 2020. Sales performance of various major Mainland property developers deteriorated significantly, which in turn affected the market sentiment in Hong Kong.

Local Operation Significantly Improved by Actively Adapting to the New Normal

During the reporting period, the Group's local operation outperformed, registering growth in both revenue and profit. Despite the significant slowdown of the local property market since July 2021, the Group's local operations still managed to break even in the second half of 2021.

The Group's flagship business unit, Midland Realty, has successfully gained ground in the local new home sector during the reporting period. Thanks to a series of strategic moves in recent years, Midland Realty has strengthened its market position in many districts. In particular, it has further increased its market share in the primary market of the New Territories and Kowloon, where the bulk of the local transactions took place. At the same time, as developers focused on unsold inventories, the Group's sales results in this segment also shown growth. More encouragingly, Hong Kong Property, the previously underperforming business of the Group has also turned around from loss into profit during the reporting period, making positive progress in sales efficiency and stayed profitable during the reporting period.

For over a decade, the Hong Kong property market has gone through several mini-cycles and the Group has gradually adapted to the new normal. The Group has also leveraged on its outstanding management capacities to deal with the ebbs and flows of the market. For instance, the Group has made some adjustments in costs in 2020, thus boosting its profitability in the first half of 2021. In the meantime, the Group continues to invest in its talent pool as well as property technology and e-marketing tools to bring benefits to the Group's long-term development.

Due to the sharp downturn of the Mainland property market in 2021, the performance of the Group's Mainland operation was disappointing. In addition, the deterioration of the financial position of some Mainland developers also gave rise to the increase of impairments of trade receivables during the reporting period. At the end of 2021, trade receivables from the Mainland operations accounted for approximately 4% of that of the Group's total (at the end of 2020: approximately 8%).

OUTLOOK

Cautiously Positive Amid the New Outbreak

The local outbreak of the highly infectious Omicron variant has led to the fifth COVID-19 wave in Hong Kong. The number of local confirmed infected cases has reached a record high. Tightened social distancing measures put in place by the Hong Kong government has been extended to mid-April. The market sentiment in the first half of 2022 is expected to remain sluggish, affecting both the local economy and residential property market.

As for the secondary market, some potential buyers prefer to stand on the sidelines and many sellers have chosen not to allow property inspections so as to minimise the risks of infection. Thus, the Group expects the transaction activities to stay low in the first quarter of 2022. Meanwhile, developers have not been active and postponed the launch of new projects while placing their focus on clearing the inventories. According to the Group's tally, only 457 new units were launched in the first two months of 2022, down about 83.3% from that in the corresponding period of 2021.

Although the pandemic in Hong Kong remains unpredictable, the market has amassed some valuable experience in coping with the pandemic over the last two years. The overall market sentiments are not as bad as that in the first quarter of 2020 when the pandemic first hit Hong Kong. The Group believes that the slowdown in the property market will be short-lived and remains cautiously positive about the long-term development of the Hong Kong property market. While the market transaction activity in the first half of 2022 is expected to fall to an extremely low level, transaction volume is likely to significantly rebound if the outbreak can get under control in the second half of 2022. Indeed, the Budget recently announced by the Hong Kong government has raised the upper limit of the Mortgage Insurance Programme, which will give considerable support to the secondary market in particular.

Uncertainties Shroud Global Economy Rebound Poised for Mainland Property Market

As the global economy slowly recovers, issues in the global supply chain resulting from pandemic-related stress, coupled with a series of monetary and fiscal stimulus measures of various nations have prompted inflation in the US to reach a multi-year high, forcing the US Federal Reserve Board to raise interest rates in 2022. The sharp volatility of the Hong Kong stock market and the increase in COVID-19 cases in Mainland have also brought negative impacts on the property sector. In addition, the conflicts between Ukraine and Russia still continue to escalate despite the progress of ceasefire negotiations. Economic sanctions imposed on Russia by various nations might exacerbate the global supply chain crisis and further dampen market sentiment. In mid-March of 2022, the US Federal Reserve Board raised interest rate by 0.25% and signaled more hikes to come. Against the backdrop of interest rates hikes, the Group is of the view that, although the interest rate environment is no longer as favourable as two years ago, the mortgage rate in Hong Kong is still so low that buying power will remain intact even after several interest rate hikes.

While the global central banks are on the course of monetary tightening in 2022, the central government has begun to actively launch various economic stimulus measures. In the past few months, reserve ratio and lending rate were lowered and cut respectively. If the central government policies in relation to loan and gearing ratio are switched to accommodative, the Hong Kong property market will also be benefitted as a result due to the geographical proximity of Hong Kong to Mainland. In addition, the support of the central government on the local capital market is also favourable to the long term development of the Hong Kong economy and property sector. At the same time, it is believed that the Hong Kong government will continue to roll out economic relief measures. As such, the Group still remains positive about the industry outlook.

Act According to National Plan to Capitalise on Regional Opportunities

The Group is glad that the central government has included Hong Kong in the National 14th Five-Year Plan which plans to position Hong Kong as, among other things, an international innovation and technology hub and an East-meets-West centre for international cultural exchange. The Group is confident that these two initiatives will have profound impacts on the long-term development of the Hong Kong residential property market.

As the local political landscape changes, the Group believes that the progress of infrastructure development in Hong Kong will expedite. For instance, the Northern Metropolis Development Plan initiated at the recent Policy Address will bring positive sentiments to the property market of New Territories North and will in turn provide impetus to the whole property market. As a matter of fact, the improvement of the infrastructure in the last decade has already benefitted residential properties in Kowloon and the New Territories in terms of both transaction activities and price growth. The Group expects demand to grow for the properties located in those areas with good improvement potential of infrastructure.

Fully Equipped to Brave the Storm Further Integrates Hong Kong and Mainland Businesses

The worsening COVID-19 outbreak in Hong Kong recently has affected all walks of life. In response, the Group has long taken the initiatives since the previous waves of the pandemics to implement a set of contingency measures. The central professional units of the Group have been fully equipped on the fronts of technical support and operation process to work remotely under various scenarios. Benefitted from the upgrade of the IT systems and strengthening of the sales management team, internal communications remain effective for the staff to work remotely. Amid the pandemic, frontline operations are as usual and business is also conducted smoothly. In the meantime, the Group's long-established digital marketing tools, such as its online platform for property tour and listing, have performed to their best during the pandemic. Historic highs have been reached for the number of page views of various digital tools such as website and mobile APP and also for the amount of online enquiries and online listings.

Despite the short-term market challenges, the Group stays committed to investing for the future. In 2021, the Group became a corporate partner of the Hong Kong Science Park to explore new technology. Through understanding its virtual laboratory and innovative technological programmes, as well as conducting business matching, the Group aspires to bringing more technological advances to the estate agency industry. Recently, the Group has also entered into a strategic cooperation agreement with a US-listed spatial data company Matterport, Inc., such cooperation allowed the Group to become the first among the estate agents in Mainland and Hong Kong to introduce the latest Digital Twin technology and drive the estate agency industry towards a new milestone in digital transformation.

The Group is confident that the Northern Metropolis Development plan and other initiatives related to the Greater Bay Area will continue to boost the local economy and reshape the landscape of the Hong Kong property market. Additionally, the Group expects the integration between Hong Kong and the Mainland to expedite. In light of a more active role that Mainlanders are likely to take in both buy-and-sell and the rental market, the Group has been recruiting New Hong Kongers to build various sales teams and forging business ties with institutions which have strong clients base of Mainlanders.

As for Mainland operations, the Group has implemented personnel restructuring and will further focus its coverage on core districts. Indeed, the Group's Beijing operation has maintained profitability because of this strategy. To capitalise on the vast developmental potential in the Greater Bay Area, the Group has devised several strategies including strengthening the operational structure in Macau, and appointing Mr. Po Siu Ming, the Chief Executive Officer of Midland Realty's residential division in Hong Kong as the Chief Executive Officer of Midland Realty's residential division in Macau, to take the lead in the development of the Group's Macau operation. Furthermore, the Group will also reorganise its branch networks in Shenzhen and concentrate its presence in the areas which fit the Great Bay Area initiative.

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 2021, the Group had cash and bank balances of HK\$1,505,527,000 (2020: HK\$940,608,000).

As at 31 December 2021, the interest-bearing bank borrowings of the Group amounted to HK\$687,000,000 (2020: HK\$228,000,000) and with maturity profile set out as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Repayable within 1 year	687,000	228,000

As at 31 December 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 (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 57.9% (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 (2020: 1.1). The return on equity, which is the ratio of profit for the year over the total equity of the Group, was 8.45% (2020: 12.10%).

As at 31 December 2021, the Group has unutilised borrowing facilities amounting to HK\$2,044,800,000 (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 31 December 2021, certain land and buildings and investment properties held by the Group of HK\$56,251,000 (2020: HK\$57,358,000) and HK\$45,390,000 (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\$3,303,221,000 (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 Company'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.

During the year ended 31 December 2021, the Company repurchased a total of 960,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$1,366,000 (including expense of HK\$5,000). These shares were subsequently cancelled.

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

Contingent liabilities

As at 31 December 2021, the Company executed corporate guarantee of HK\$3,123,800,000 (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 31 December 2021, banking facilities of HK\$735,429,000 were utilised by these subsidiaries (2020: HK\$277,466,000).

EMPLOYEE INFORMATION

As at 31 December 2021, the Group employed 6,823 full time employees (2020: 7,176) of which 5,764 were sales agents, 612 were back office supportive employees and 447 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 2021 (2020: nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions that were in force as set out in the Corporate Governance Code 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 2021.

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 2021.

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

In September 2021, the Company repurchased a total of 960,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK\$1,360,900. The repurchase of shares was approved by the Board for the enhancement of the shareholders' value and the Company's net asset value and/or its earnings per share. Details of the shares repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
September	960,000	1.46	1.38	1,360,900

The shares repurchased were subsequently cancelled on 30 September 2021.

Save as disclosed above, 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 2021.

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 2021. The figures in respect of this announcement of the Group's results for the year ended 31 December 2021 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 2021 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midland.com.hk). The 2021 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 sincerely thank our board members and staff for their persistent efforts in the face of numerous challenges. I would also like to take this opportunity to express my appreciation to our shareholders and customers for their enduring support for the Group. We will continue to spare no effort in offering quality services and steering the Group towards a brighter tomorrow.

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

Hong Kong, 30 March 2022

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. WONG Tsz Wa, Pierre and Mr. CHEUNG Kam Shing; and three are Independent Non-Executive Directors, namely Mr. HO Kwan Tat, Ted, Mr. SUN Tak Chiu and Mr. WONG San.