

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “Board”) of Midland Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 (the “Interim Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2022

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
Revenues	3(a)	1,715,163	3,446,267
Other income, net	4	8,479	4,071
Staff costs		(1,020,514)	(1,698,937)
Rebate incentives		(417,213)	(992,492)
Advertising and promotion expenses		(60,914)	(56,593)
Operating lease charges in respect of office and shop premises		(18,099)	(29,729)
Amortisation of right-of-use assets		(302,026)	(278,762)
Depreciation of property and equipment		(25,613)	(26,202)
Net reversal of impairment/(impairment losses) on financial assets		2,603	(1,429)
Other operating costs	5	(128,693)	(143,723)
Operating (loss)/profit		(246,827)	222,471
Bank interest income		143	113
Interest on bank loans and overdrafts		(3,816)	(5,949)
Interest on lease liabilities		(9,190)	(8,455)
Share of results of joint ventures		7,949	11,136
(Loss)/profit before taxation		(251,741)	219,316
Taxation	6	19,761	(42,896)
(Loss)/profit for the period attributable to equity holders		(231,980)	176,420
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share	8		
Basic		(32.35)	24.57
Diluted		(32.35)	24.57

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
(Loss)/profit for the period attributable to equity holders	(231,980)	176,420
Other comprehensive income/(loss)	-----	-----
<i>Item that will not be reclassified to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	(269)	178
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	3,675	(923)
Other comprehensive income/(loss) for the period, net of tax	3,406	(745)
	=====	=====
Total comprehensive (loss)/income for the period attributable to equity holders, net of tax	(228,574)	175,675
	=====	=====

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2022**

	<i>Note</i>	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property and equipment		164,869	161,902
Right-of-use assets		700,904	726,498
Investment properties		72,390	75,341
Interests in joint ventures		26,519	41,158
Financial assets at fair value through profit or loss		10,110	-
Financial assets at fair value through other comprehensive income		1,522	2,038
Deferred tax assets		36,842	11,731
Loan receivables	9	2,001	2,385
		1,015,157	1,021,053
		-----	-----
Current assets			
Trade and other receivables	10	3,106,357	3,803,541
Taxation recoverable		388	410
Loan receivables	9	18,723	22,196
Cash and cash equivalents		1,734,080	1,505,527
		4,859,548	5,331,674
		-----	-----
Total assets		5,874,705	6,352,727
		=====	=====

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)
AS AT 30 JUNE 2022**

	<i>Note</i>	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity holders			
Share capital		71,709	71,709
Share premium		222,235	222,235
Reserves		663,678	892,252
Total equity		<u>957,622</u>	<u>1,186,196</u>
Non-current liabilities			
Deferred tax liabilities		9,338	8,948
Lease liabilities		262,039	313,418
		<u>271,377</u>	<u>322,366</u>
Current liabilities			
Trade and other payables	<i>11</i>	2,902,469	3,594,539
Borrowings		1,169,240	687,000
Lease liabilities		541,065	533,315
Taxation payable		32,932	29,311
		<u>4,645,706</u>	<u>4,844,165</u>
Total liabilities		<u>4,917,083</u>	<u>5,166,531</u>
Total equity and liabilities		<u>5,874,705</u>	<u>6,352,727</u>

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, Mainland China 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 30 August 2022.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared under the historical cost convention as modified by the revaluation of investment properties, financial assets at fair value through profit or loss 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 2021, 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 2021, 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 2022.

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 2021.

(a) New interpretations and amendments effective in 2022

The adoption of the new or revised 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 results of operations or financial position.

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
- Agency fee	1,705,627	3,433,439
- Immigration consultancy services	5,185	6,846
- Web advertising	108	108
- Other services	1,900	1,137
	<u>1,712,820</u>	<u>3,441,530</u>
Revenues from other sources		
- Rental income	1,249	1,565
- Interest income from loan receivables	1,094	3,172
	<u>1,715,163</u>	<u>3,446,267</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, Mainland China and Macau.

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2022			
	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	1,692,862	12,765	13,370	1,718,997
Inter-segment revenues	-	-	(3,834)	(3,834)
Revenues from external customers	1,692,862	12,765	9,536	1,715,163
Timing of revenue recognition				
- At a point in time	1,692,862	12,765	1,900	1,707,527
- Over time	-	-	5,293	5,293
Rental income	-	-	1,249	1,249
Interest income from loan receivables	-	-	1,094	1,094
	1,692,862	12,765	9,536	1,715,163
Segment results	(232,993)	(6,899)	5,916	(233,976)
Amortisation of right-of-use assets	(301,441)	(585)	-	(302,026)
Depreciation of property and equipment	(24,690)	(320)	(369)	(25,379)
Net reversal of impairment/(impairment losses) on financial assets	2,400	255	(52)	2,603
Share of results of joint ventures	-	-	7,949	7,949
Fair value losses on investment properties	-	-	(1,916)	(1,916)
Impairment losses on right-of-use assets, net of reversals	(1,402)	(251)	-	(1,653)
Impairment losses on property and equipment	(1,441)	(305)	-	(1,746)
Additions to property and equipment	30,220	811	12	31,043

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 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	<u>3,380,879</u>	<u>52,560</u>	<u>12,828</u>	<u>3,446,267</u>
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
	<u>3,380,879</u>	<u>52,560</u>	<u>12,828</u>	<u>3,446,267</u>
Segment results	<u>241,140</u>	<u>(5,487)</u>	<u>19,541</u>	<u>255,194</u>
Amortisation of right-of-use assets	(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	<u>31,882</u>	<u>855</u>	<u>14</u>	<u>32,751</u>

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 (loss)/profit before taxation is provided as follows:

	Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment results for reportable segments	(233,976)	255,194
Corporate expenses	(22,060)	(30,042)
Government subsidy	7,968	-
Bank interest income	143	113
Interest on bank loans and overdrafts	(3,816)	(5,949)
	<u> </u>	<u> </u>
(Loss)/profit before taxation per condensed consolidated income statement	<u>(251,741)</u>	<u>219,316</u>

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, financial assets at fair value through profit or loss 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 2022			
	Property agency	Commercial and industrial properties and shops	Others	Total
	<i>Residential properties HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>5,176,101</u>	<u>15,735</u>	<u>141,284</u>	<u>5,333,120</u>
Segment assets include:				
Interests in joint ventures	<u>-</u>	<u>-</u>	<u>26,519</u>	<u>26,519</u>
Segment liabilities	<u>3,688,700</u>	<u>29,118</u>	<u>17,016</u>	<u>3,734,834</u>

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2022 <i>HK\$ '000</i>	As at 31 December 2021 <i>HK\$ '000</i>
Segment assets	5,333,120	5,537,909
Corporate assets	493,111	801,049
Deferred tax assets	36,842	11,731
Financial assets at fair value through profit or loss	10,110	-
Financial assets at fair value through other comprehensive income	1,522	2,038
Total assets per condensed consolidated balance sheet	5,874,705	6,352,727

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2022 <i>HK\$ '000</i>	As at 31 December 2021 <i>HK\$ '000</i>
Segment liabilities	3,734,834	4,455,860
Corporate liabilities	1,172,911	701,723
Deferred tax liabilities	9,338	8,948
Total liabilities per condensed consolidated balance sheet	4,917,083	5,166,531

3 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Revenues from external customers		
Hong Kong and Macau	1,567,583	3,088,452
Mainland China	147,580	357,815
	<u>1,715,163</u>	<u>3,446,267</u>

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

4 Other income, net

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Fair value (losses)/gains on investment properties	(1,916)	509
Government subsidy	7,968	-
Others	2,427	3,562
	<u>8,479</u>	<u>4,071</u>

Subsidy received under the Employment Support Scheme during the six months ended 30 June 2022 of HK\$7,968,000 was 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:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Direct operating expenses arising from investment properties that:		
– generated rental income	75	74
– did not generate rental income	21	16
Office and branch operating expenses (note (i))	64,373	62,354
Government rent and rates, building management fee of leased properties	25,310	23,003
Legal and professional fees	4,627	3,744
Staff recruitment, training and welfare	4,941	3,456
Insurance expenses	9,094	7,825
Bank charges	7,414	11,299
Impairment losses on right-of-use assets, net of reversals (note (ii))	1,653	22,120
Impairment losses on property and equipment (note (ii))	1,746	1,832
Loss on disposal of property and equipment	64	177
Net foreign exchange losses	384	195
Auditor's remuneration		
– audit services	1,564	1,564
– 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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current taxation		
Hong Kong profits tax	4,960	42,245
Overseas	-	(75)
Deferred taxation	(24,721)	726
	<u>(19,761)</u>	<u>42,896</u>

Hong Kong profits tax has been calculated at the rate of 16.5% (for the six months ended 30 June 2021: 16.5%) on the estimated assessable profit for the period, 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 on the same basis in 2021.

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 2022 (for the six months ended 30 June 2021: nil).

8 (Loss)/earnings per share

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
(Loss)/profit attributable to equity holders for the calculation of basic and diluted (loss)/earnings per share	(231,980)	176,420
Number of shares for the calculation of basic and diluted (loss)/earnings per share (thousands)	717,086	718,046
Basic (loss)/earnings per share (HK cents)	(32.35)	24.57
Diluted (loss)/earnings per share (HK cents)	(32.35)	24.57

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

For the six months ended 30 June 2022 and 2021, the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as the exercise of share options of the Company 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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Within 1 year	18,723	22,196
Over 1 year but less than 2 years	510	965
Over 2 years but less than 3 years	1,491	1,137
Over 3 years	-	283
	20,724	24,581

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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Current (not yet due)	2,552,769	3,332,559
Less than 30 days past due	89,266	45,251
31 to 60 days past due	22,671	16,615
61 to 90 days past due	12,244	11,912
More than 90 days past due	70,449	35,117
	<u>2,747,399</u>	<u>3,441,454</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\$419,653,000 (as at 31 December 2021: HK\$352,999,000) 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 announces that for the Interim Period, the Group recorded a revenue of approximately HK\$1,715 million (corresponding period in 2021: HK\$3,446 million), and a loss attributable to equity holders amounted to approximately HK\$232 million, as compared with the profit attributable to equity holders of approximately HK\$176 million for the six months ended 30 June 2021. Such loss was mainly from the first quarter of 2022.

The loss was mainly attributable to:

- (1) a significant decline in transaction value and volume of residential property sales in Hong Kong following the outbreak of the fifth wave of the COVID-19 pandemic from January 2022 onwards, with the most pronounced decline concentrated in the first quarter of 2022 against the backdrop of widespread adverse market conditions and potent social distancing measures, quarantines and travel restrictions dampening buyers' sentiment and demand;
- (2) despite our best efforts, rental concessions granted by the landlords during the fifth wave of the pandemic were limited; and
- (3) the new home market was extremely quiet, and the number of primary home registrations in the first half of 2022 fell to a new low since 2014.

Property Market Suffered Multiple Blows

The Hong Kong property market started on a low note in 2022. The exponential rise in infections during the fifth wave of the pandemic severely impacted the local economic activities. The property market was at a standstill while another wave of emigration heating up once again. In addition, Mainland China saw sporadic infections. The fear of global inflation triggered interest rate hikes around the world and led to concerns about recession. The tension between Russo-Ukraine also exacerbated the global problem of escalating price, casting shadows on the world economy.

As the fifth wave of the pandemic raged on, the property market took an abrupt downturn with the number of transactions tumbled. According to the figures from the Land Registry, local residential sales transactions dropped by 37.8% in the first half of 2022 as compared with the corresponding period in 2021. Amongst which, only 8,333 secondary homes sales transactions were registered in the first quarter of 2022, down by 42.3% from that of the corresponding period in 2021. The primary home sector fared even worse. The developers only sold 1,723 new units in the first quarter of 2022, representing a year-on-year decline of 53.3%.

Property Prices Fell Slightly in the First Half of 2022

The Hong Kong property market entered into consolidation phase since August 2021. In the second half of 2021, the negative wealth effect resulted from the correction of bond and stock markets weakened the confidence of local homebuyers. Under such complicated and dynamic market conditions, property prices in Hong Kong fell by 5% during the 12-month period from August 2021 to July 2022, according to the Midland Property Price Index.

Benefitting from a series of factors, the performance of the Hong Kong property market improved in the second quarter of 2022. In February 2022, the HKSAR government announced the amendments to the Mortgage Insurance Programme, raising the ceiling of the mortgage amount. Then, the compulsory universal testing was held off. As the outbreaks receded in April, the local economy started to normalise amid the relaxation of social distancing measures, driving the uptick of the local property market in the second quarter of 2022. The number of the primary and secondary home transactions increased by 81.8% and 41.5%, respectively, in the second quarter of 2022 as compared with that of the first quarter. However, as the opening of the border with Mainland China has not yet returned to normalcy, the local economic activities and the performance of property market have not entirely recovered yet. In fact, the gain in sales activities in the second quarter was far from enough to offset the drop of that in the first quarter, resulting a significant decline in transaction volume of residential property in the first half of 2022 as compared with that in the corresponding period in 2021.

Fifth Wave Outbreak Devastated the Operating Environment

In the first half of 2022, the fifth wave outbreak was severe and the Group faced unprecedented challenges. The Hong Kong property market was decimated by the fifth wave of the outbreak. The number of transactions plunged massively in the first half of 2022. Despite the fact that the Group maintained its market share, it inevitably suffered a loss.

The fifth wave of the outbreak was the most devastating since the onset of the pandemic in Hong Kong, but rental concessions granted by the landlords during the fifth wave of the outbreak were far less than those in the first wave.

Multifaceted Challenges Solid Market Position Continuous Online Development

Thanks to the upgrade of the IT systems and strengthening of the structure of the sales management team, the Group's business operations remained almost intact even at the peak of the outbreak. Amid this challenging market environment, the Group's sales teams still managed to gain ground on several market segments and increase its market share in the secondary market of some strategic areas such as Kai Tak, Tai Po, Tuen Mun, Shatin, Tsuen Wan, Tung Chung and Sham Tseng. In addition, as the government announced the "Northern Metropolis Development Strategy" earlier, Northern New Territories would benefit from various infrastructure developments and is expected to become a high growth district. Demand for properties within this district will keep growing. Indeed, Grand Mayfair, a project located right on top of the Kam Sheung Road station, was one of the bestselling projects in the first half of this year. The Group was vigorous in strengthening its sales management of the teams in Northern New Territories during the period and was successful in cementing its leading position in this district.

For the Group's Mainland China operation, the series of debt defaults in Mainland China's property market and the resurgence of the pandemic made the business environment distinctly difficult. Facing challenges on multiple fronts, the Group took the opportunity to restructure its Mainland China operation teams to increase their operational efficiency. The Group's Chongqing operation is now run by a new management team.

In terms of online business development, the Group became the first property agency in the Greater China region to be the strategic partner of Matterport, Inc. and introduced the "Digital Twin" technology. It enables the Group to provide a better virtual 3-D tour experience to its customers, achieving "contactless property viewing". During the period, the number of VR (virtual reality) tour videos surged by nearly 170% year-on-year and the property listing videos rose by nearly 140%. The widespread application of the VR technology and the ever-improving property filming technology resulted in the rise in page views of the Group's online platforms despite the poor market sentiments. The Midland official website recorded almost 100 million hits in the first half of 2022, with increases in both page views and market share of the online platforms.

OUTLOOK

Lacklustre Short-term Prospects Uncertain Macroeconomy

This year marks the 25th anniversary of the establishment of the Hong Kong Special Administrative Region. President Xi Jinping stated during his visit to Hong Kong in July 2022 that Hong Kong should continue to maintain its uniqueness. It is generally believed that the new term of government will bring the focus of Hong Kong back to local economic development. In early August, the government announced that starting from 12 August, inbound persons from overseas places or Taiwan will be subject to quarantine under the “3+4” model, instead of the previous seven-day quarantine. This move, which will significantly improve the flexibility of inbound travellers and lower their costs, is believed to be the government’s preparation for allowing inbound visitors to conditionally enter Hong Kong without quarantine in November. Meanwhile, the government is actively preparing for the Global Financial Leaders’ Investment Summit to be held in November and inviting representatives from a number of international financial institutions to participate, and this move is believed to further strengthen Hong Kong’s role as an international financial centre.

In Mainland China, its economy performed well during the initial phase of the pandemic, however, it has also been affected by the fifth wave of the pandemic and has to face challenges such as infection prevention restrictions and inflation. Recently, homeowners in the Mainland China started the “mortgage boycott” campaign on unfinished properties, which might dent the confidence of homebuyers in pre-sales of uncompleted properties. However, the long-term impact of this incident on the overall property market is unlikely to be significant.

Nevertheless, from a macroeconomic standpoint, the geopolitical tension, the high inflation, the waning consumer confidence, the uncertainty about the pace of increase in interest rates, and the impacts of quantitative tightening on global liquidity may have negative impacts on the global and Hong Kong economy. The Group expects that there will be no major economic breakthrough in Hong Kong before November.

Good Fundamentals Uncertain Outlook

Hong Kong properties are among the most expensive around the world but there has been no indication that local residential market is frothy. Due to the demand suppressing measures such as the tight mortgage lending requirements and the rise in stamp duty introduced by the government from year 2010 to 2019, the property market has been mainly dominated by buyers with healthy balance sheets. In 2021, the share of homeowners who are free of mortgage loans increased by 6% and 17.6% as compared with that ten years and twenty years ago, respectively. The good financial health of majority of homeowners have helped cushion the shocks brought by the unfavourable market developments.

The tight mortgage lending requirements not only laid down a strong foundation for the property market, but also left room for the government to relax its grip. In the past three years, the government twice lifted the ceiling of the Mortgage Insurance Programme. According to the latest amendments, the ceiling for mortgage loans has been raised for properties worth between HK\$10 million and HK\$19.2 million. The long suppressed upgrading demand is expected to be unleashed but it will take some time for the effects of the relaxations to kick in. In near term, performance of the property market is still stifled by the poor economic environment.

In fact, even the satisfactory sales performances of the developments such as “Novo Land” and “One Innovale” in July and August 2022 have not made material impact on the overall property market.

Innovation and Technology Development to Boost Infrastructure Expecting to Lift Property Demands

President Xi Jinping toured Hong Kong Science Park during his visit signified the central government's strong support for establishing Hong Kong as an international innovation and technology hub. It is expected that the new term of government will roll out more policies related to innovation and technology and launch corresponding talent schemes to attract technology professionals around the world to work in Hong Kong in order to expedite the progress of innovation and technology development. To drive science research and infrastructure development, the government has earlier announced to reserve lands for innovation and technology development including the establishment of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop and the landmark hi-tech facilities in Lau Fau Shan.

After the announcement of the "Northern Metropolis Development Strategy", the new projects launched by developers in this area are likely to be sought after. Grand Mayfair, the new development atop the Kam Sheung Road Station, was one of the bestselling projects in the first half of 2022, demonstrating the popularity of the properties in Northern New Territories. The Group is confident that the uptrend of the property prices in that area will continue.

Prepared for Economic Recovery

The new term of government recently announced to put economic development at the top of its agenda. The Group believes that if the Hong Kong economy can return to its pre-pandemic level, the confidence towards Hong Kong's prospects will be restored and will attract more foreign investments. Even though the border between Hong Kong and the Mainland China may not be reopened in the short term, some of the mainlanders who have business or family ties with Hong Kong will still return to Hong Kong. It is also the Group's belief that the Hong Kong property market will be reshaped by the further integration between Hong Kong and the Mainland China and the continual improvement in the infrastructure developments. So in recent years, the Group has made strategic moves proactively and further strengthen its branch networks and personnel in order to prepare for the full recovery of the Hong Kong economy.

As the new term of government took office, the Group expects the pace of infrastructure development, especially those related to the "Northern Metropolis Development Strategy", to be further expedited. At present, the Group's sales operations have continued to gain ground in the newly popular districts such as Kai Tak and Northern New Territories, the Group will keep investing in those districts so as to capture the potential opportunities. Meanwhile, the Group will continue to upgrade its online platforms. By knowing the customers' preferences through big data analysis, the Group has been able to provide them with the most relevant property information. The Group will keep improving its online offerings and adding new features so as to attract more customers to its online platforms.

Lastly, with regard to human resources, like other sizable corporations in Hong Kong, the Group has suffered brain drain due to the emigration. The number of licensed real estate agents in Hong Kong dropped by 1.24% quarter-on-quarter in the second quarter of 2022 even though the market was more active during the second quarter. The Group will actively devise recruitment programme to attract talents within and outside the industry. The Group has recently joined forces with the Chinese University of Hong Kong to run management courses to cultivate high achievers with management potential and provide new blood to support the Group's sustainable development. The Group will also double its efforts in nurturing competent middle managerial staff to strengthen its talent pool.

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 2022, the Group had cash and bank balances of HK\$1,734,080,000 (as at 31 December 2021: HK\$1,505,527,000).

As at 30 June 2022, the interest-bearing bank borrowings of the Group amounted to HK\$1,169,240,000 (as at 31 December 2021: HK\$687,000,000) and with maturity profile set out as follows:

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Repayable within 1 year	<u>1,169,240</u>	<u>687,000</u>

As at 30 June 2022, 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 2021: zero per cent). The gross gearing ratio, which is calculated on the basis of total borrowings over the total equity, is 122.1% (as at 31 December 2021: 57.9%). 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 1.0 (as at 31 December 2021: 1.1). The return on equity, which is the ratio of (loss)/profit for the period over the total equity of the Group, was -24.22% (for the six months ended 30 June 2021: 13.94%).

As at 30 June 2022, the Group has unutilised borrowing facilities amounting to HK\$1,562,560,000 (as at 31 December 2021: HK\$2,044,800,000) 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 2022, certain land and buildings and investment properties held by the Group of HK\$55,698,000 (as at 31 December 2021: HK\$56,251,000) and HK\$44,390,000 (as at 31 December 2021: HK\$45,390,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured, inter alia, by floating charge over certain receivables of the Group with carrying value of approximately HK\$2,634,176,000 (as at 31 December 2021: HK\$3,303,221,000).

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 subsidiaries in Mainland China 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 higher than total borrowings.

Contingent liabilities

As at 30 June 2022, the Company executed corporate guarantee of HK\$2,823,800,000 (as at 31 December 2021: HK\$3,123,800,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 30 June 2022, banking facilities of HK\$1,223,720,000 were utilised by these subsidiaries (as at 31 December 2021: HK\$735,429,000).

Employee information

As at 30 June 2022, the Group employed 6,788 full time employees (as at 31 December 2021: 6,823) of which 5,723 were sales agents, 621 were back office supportive employees and 444 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 2021: 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 2022 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 2022 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 sincerely grateful to our board members and staff for their hard work and efforts during this challenging period. I would also like to take this opportunity to express my appreciation to our shareholders and customers for their support for the Group. We will continue to use our best efforts to offer quality services, and to create a brighter future for the Group.

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

Hong Kong, 30 August 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.