



# MIDLAND HOLDINGS

## 2021 Annual Results

# ANNUAL 2021

# RESULTS

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# Agenda

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01

2021 Final Results Highlights

02

Business Overview

03

Prospects

04

Q&A



# **2021 Final Results Highlights**

# 2021 Final Results Highlights

	2021 (HK\$'000)	2020 (HK\$'000)
Revenues	6,001,432	4,981,920
Operating Costs*	5,879,906	5,043,433
Operating Profit	133,753	147,858
Profit For the Period	100,213	131,854



\*On adoption of HKFRS 16 in 2019, the operating lease charges are replaced by amortization of right-of-use assets and interest expenses on lease liability



# Reasons for Drop in Profits

## Profit Obtained

- A Profit of **HK\$100.2m** was recorded.
- Revenue increased **20.5%**

## Reasons

01

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 (HK210.8 millions), the Group's financial results for the year of 2021 would have significantly improved from that in 2020.

02

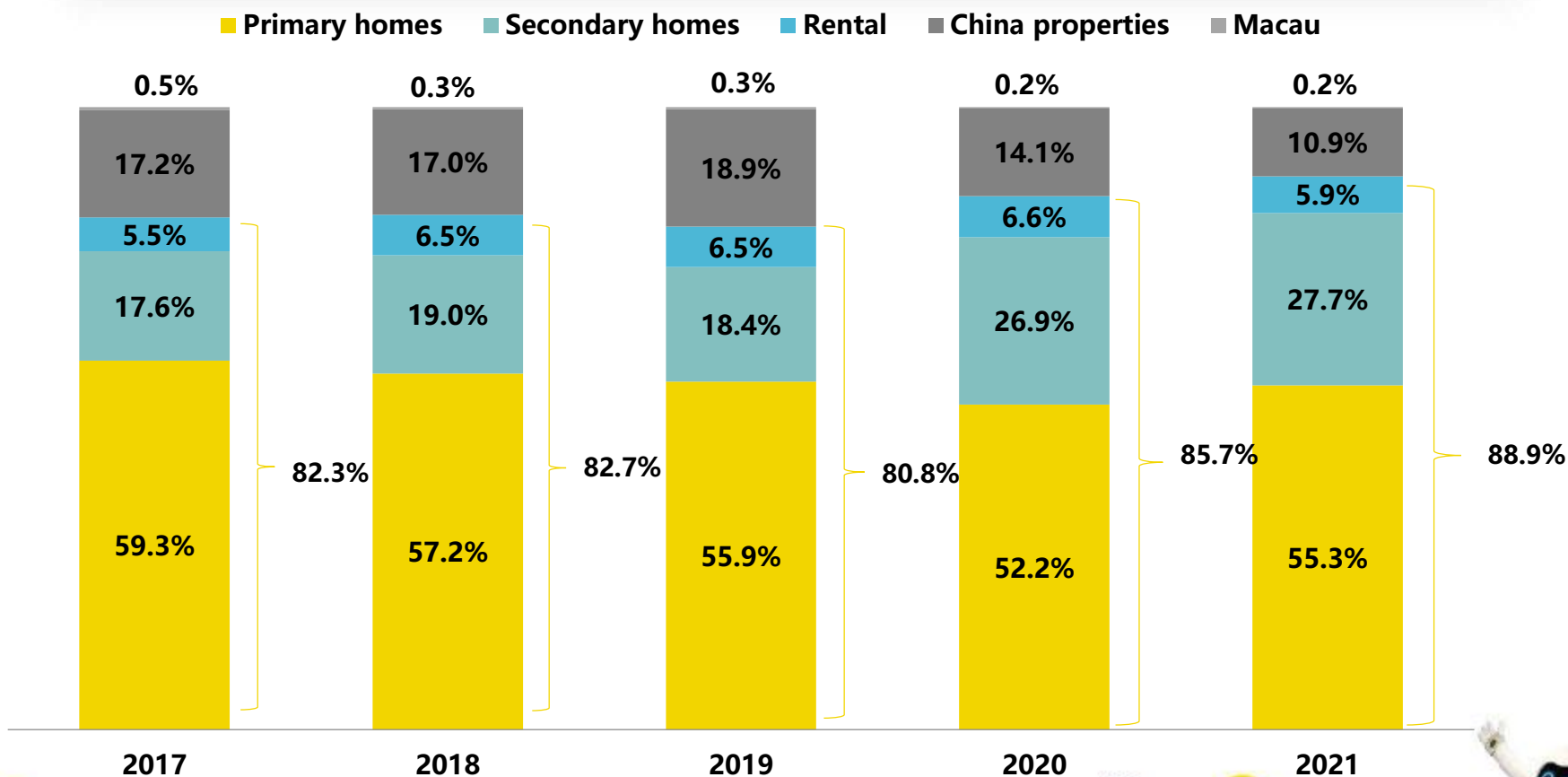
Due to the rapid recovery of the Hong Kong property market in the first half of 2021 and the increase in the Group's market share in Hong Kong, which has driven the Group's revenue to a historic high of HK\$6B in 2021.



# Key Financial Highlights – Revenue

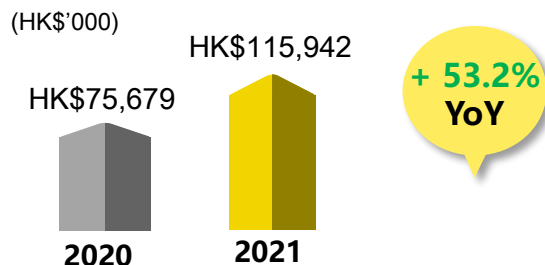
## Year 2021 vs 2020

- Revenue from HK residential market increased 24.9 % while that from mainland operation (agency fee only) decreased 6.9%
- Revenue from secondary markets increased



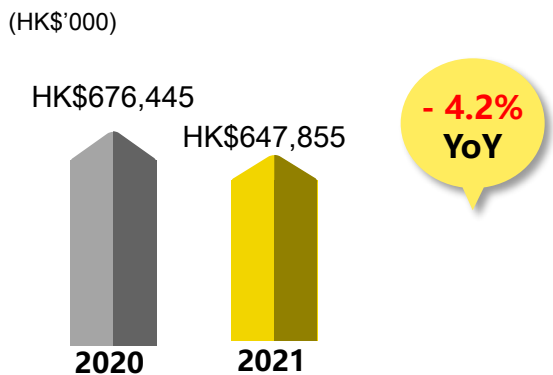
# Changes in Costs

## Advertisements & Promotions



HK: Spending on digital platforms increased while that on traditional ones remain the same as last year

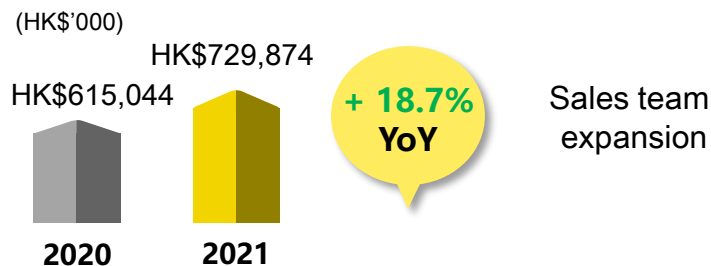
## Rental Expenses\*



Decrease in rental expenses because of local branch expansion was more than offset by

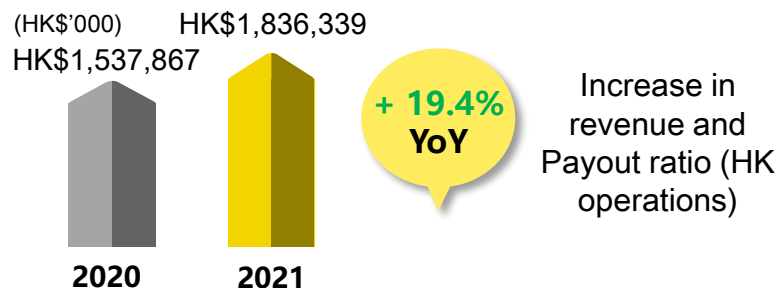
1. Downsizing in Mainland China
2. No rental charge for some leases in Mainland China resulting from the impairments made in 2020 for right of use of assets
3. Rental reduction achieved in 2020

## Frontline Staff Salaries



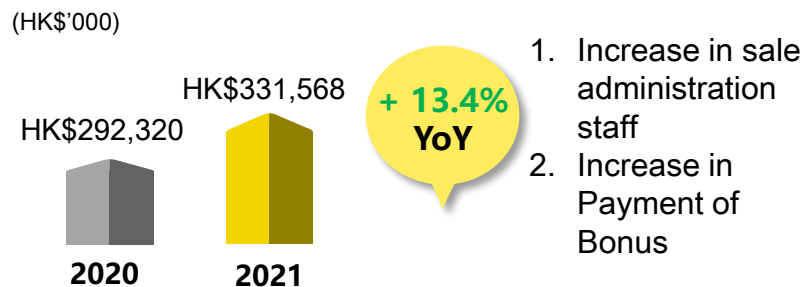
Sales team expansion

## Staff Commissions



Increase in revenue and Payout ratio (HK operations)

## Non Sales Salaries



1. Increase in sale administration staff
2. Increase in Payment of Bonus

\*On adoption of HKFRS 16 in 2019, the operating lease charges are replaced by amortization of right-of-use assets and interest expenses on lease liability

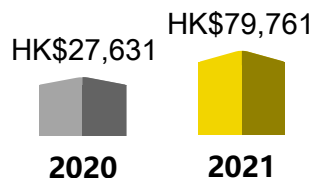




# Changes in Costs

## Impairment of Receivables

(HK\$'000)



**+ 188.7% YoY**

The increase of the Impairments was mainly due to the poor conditions of the Mainland property market

## Rebate Incentives: To Customers

(HK\$'000) HK\$1,390,008

HK\$1,171,890

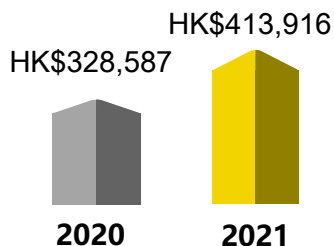


**+ 18.6% YoY**

The Increase was less than that of the revenue from the local primary market

## Rebate Incentives: To Co-operative Estate Agents

(HK\$'000)



**+ 26.0% YoY**

Because of the robustness of the local primary market

## Other Operating Costs

(HK\$'000)

HK\$317,970

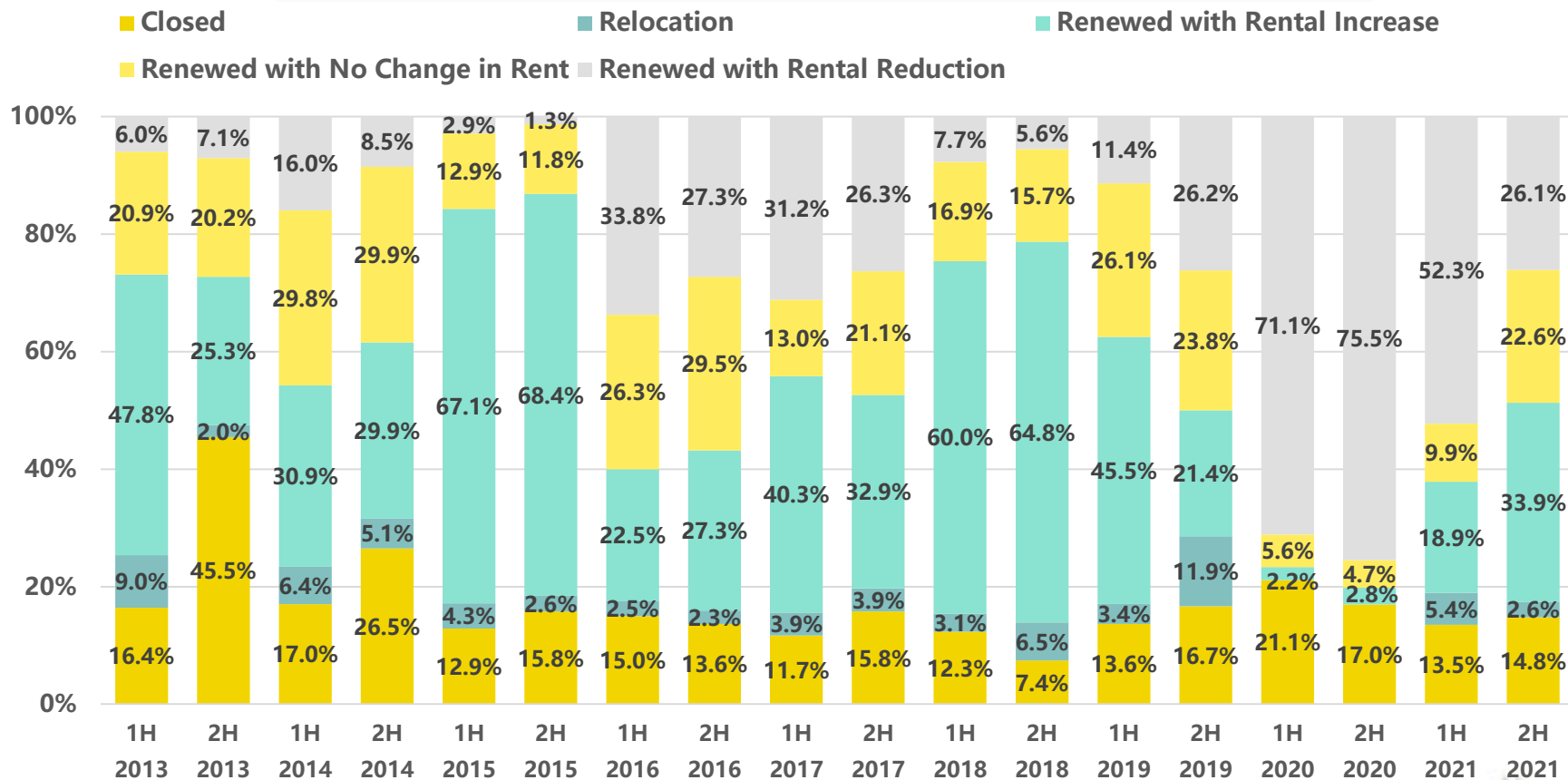


**+ 5.2% YoY**

1. Including impairment for right of use of assets of SZ
2. Local branch expansion

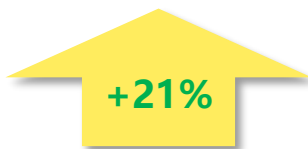
# HK Operation : Negotiations on Leases

Not easy to obtain rental reduction in 2H21

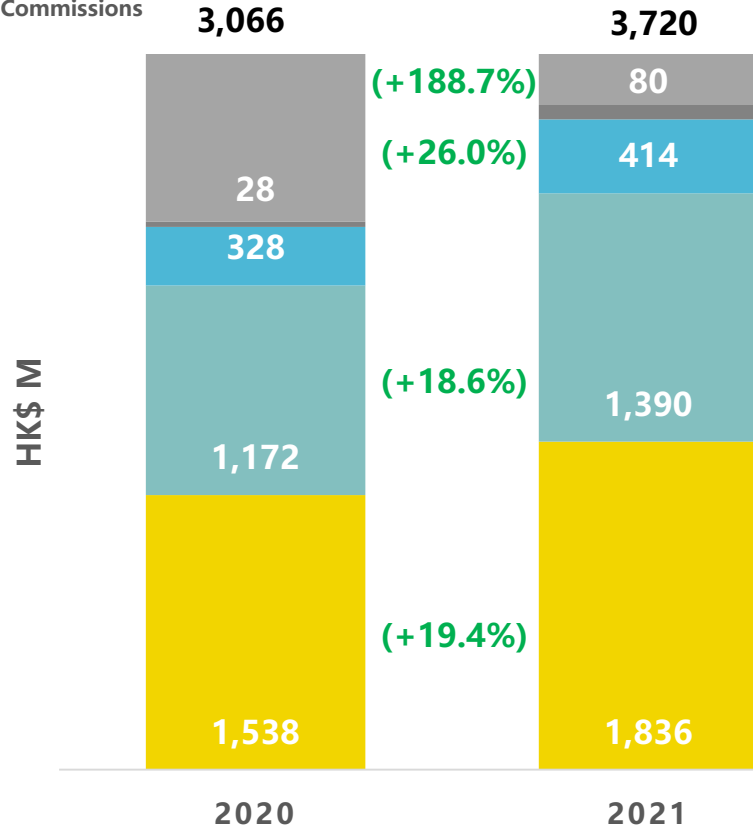


# Key Financial Highlights – Variable Vs Hard

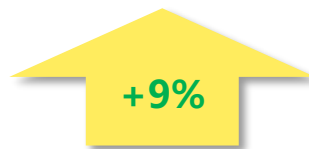
## Variable Costs



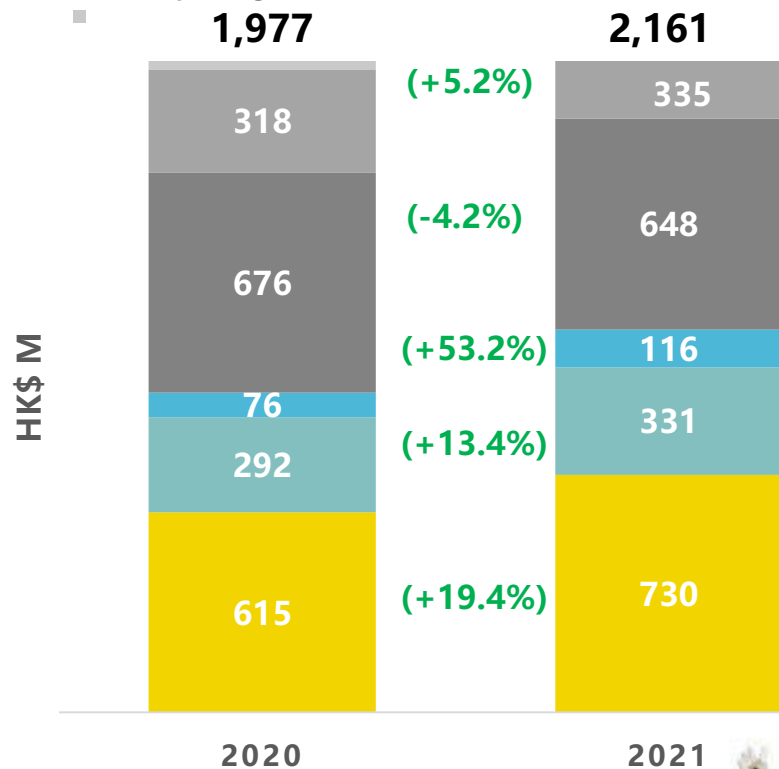
- Impairment of Receivables
- Rebate Incentives: To Co-operative Estate Agents
- Rebate Incentives: To Customers
- Staff Commissions



## Hard Costs



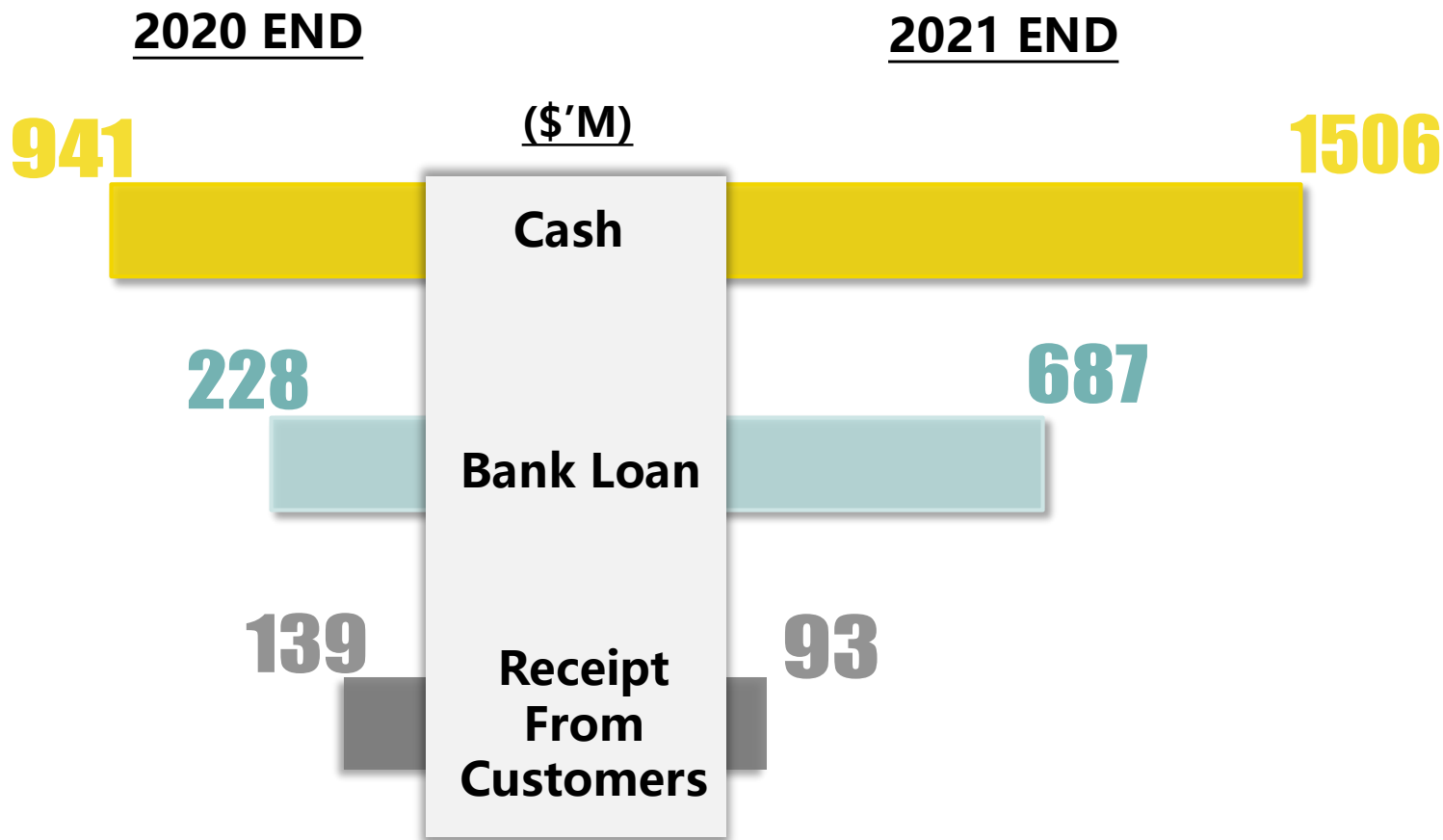
- Frontline Staff Salaries
- Non Sales Salaries
- Advertisements & Promotions
- Rental Expenses\*
- Other Operating Costs



\* Rental expenses represented the amortization of right- of-use assets and interest expenses on lease liabilities are included under rental expenses



# Increase in Net Cash

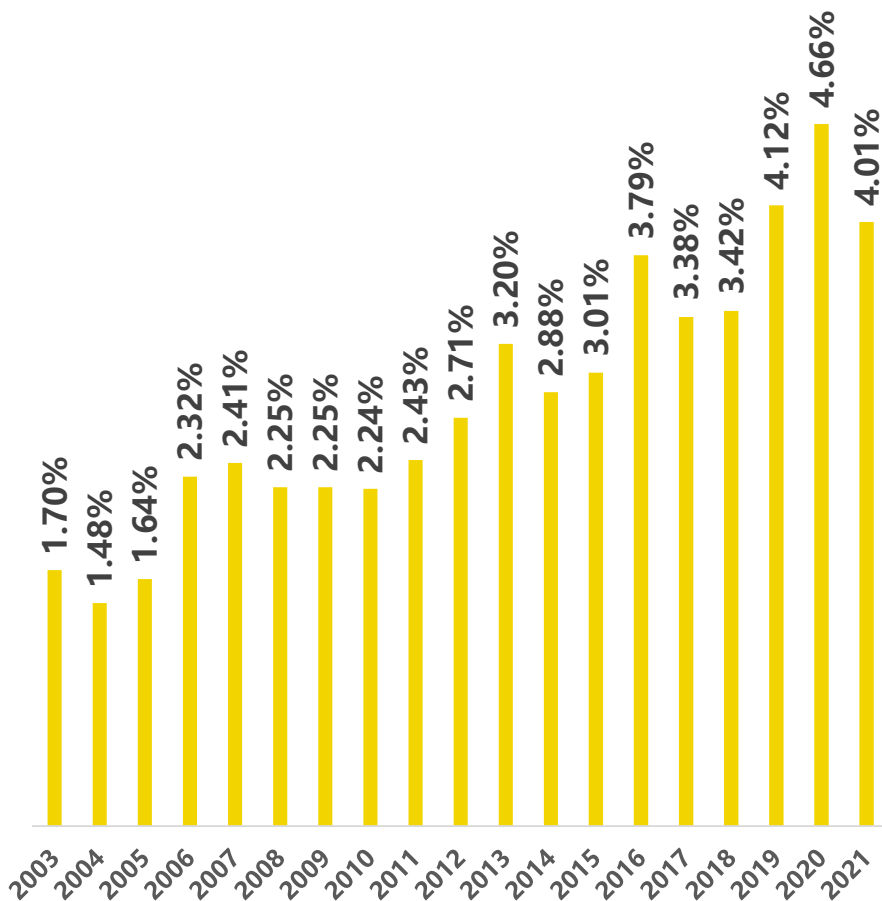




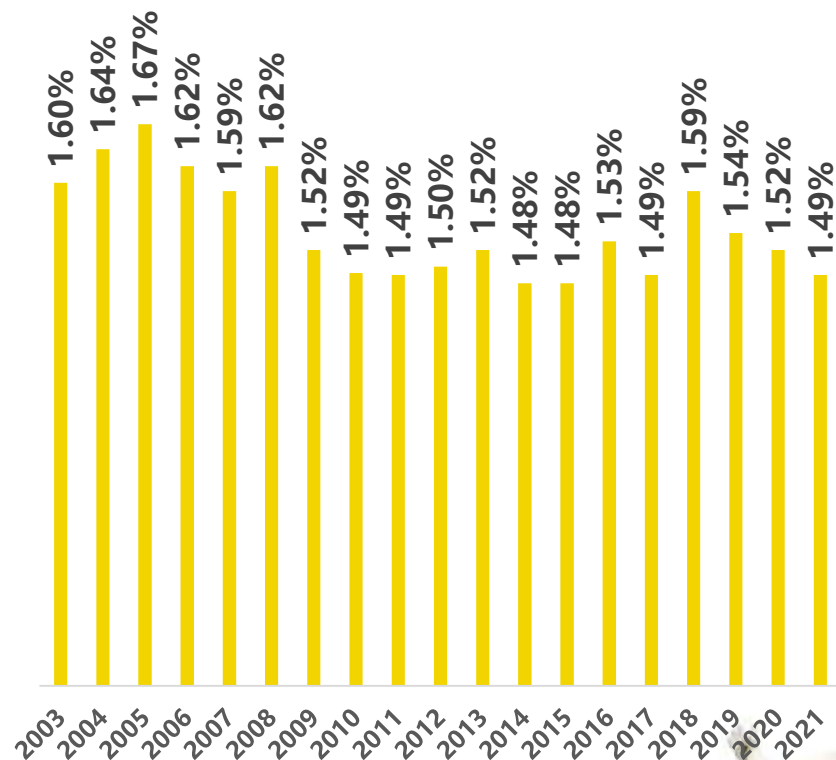
# **Business Overview**

# Gross Commission Rate\*

As a % of New Property Price



As a % of Resale Property Price



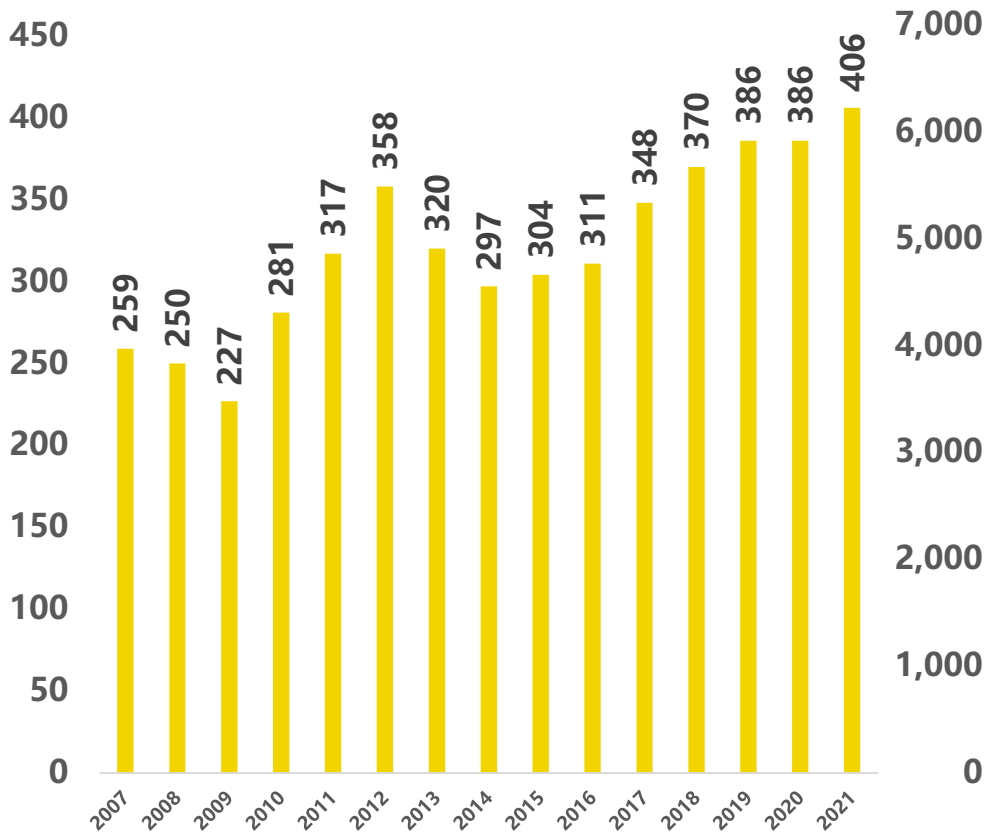
\*Local Market



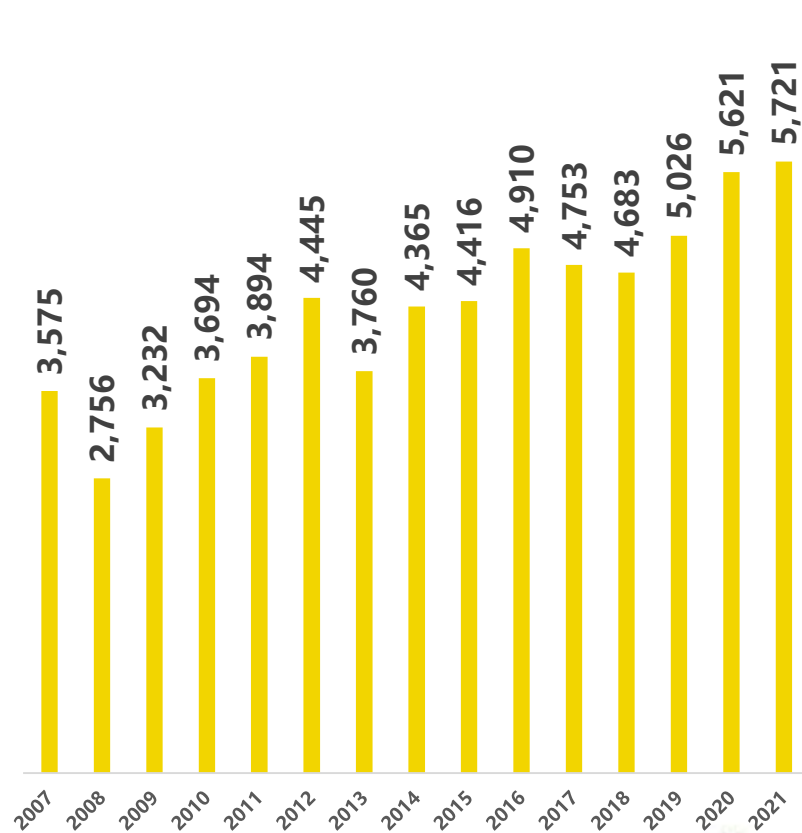


# Mild expansion in HK

Number of Local Branches  
(Not including Midland ICI)

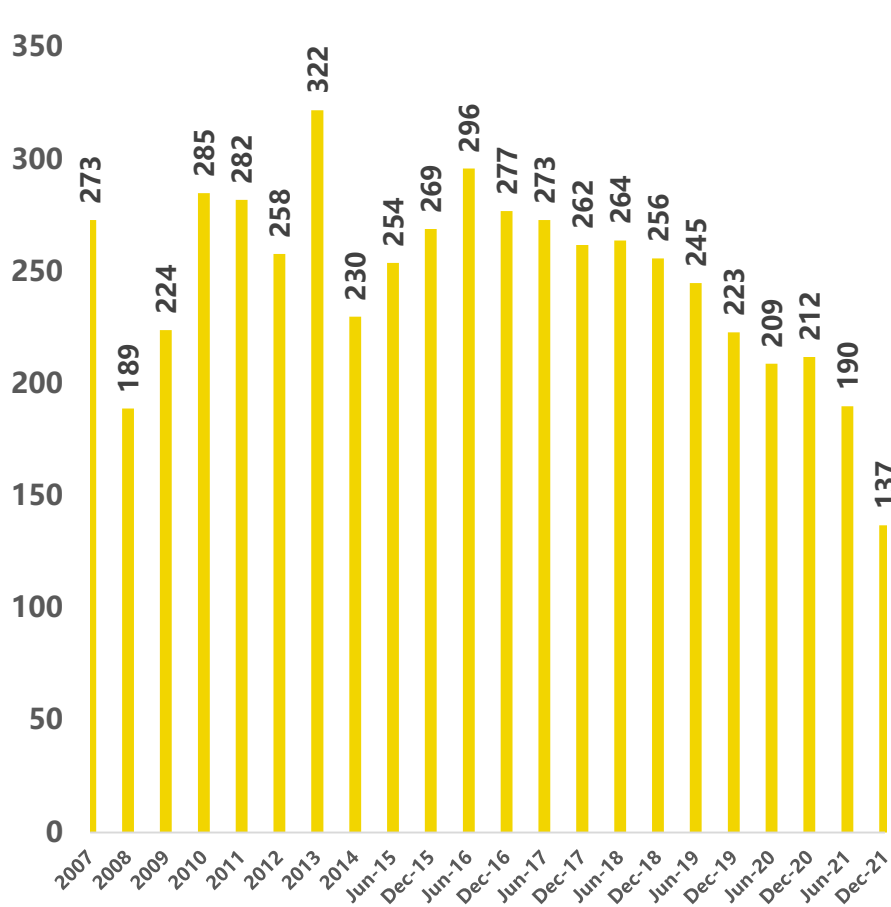


Number of Staff in HK  
(Not including Midland ICI)

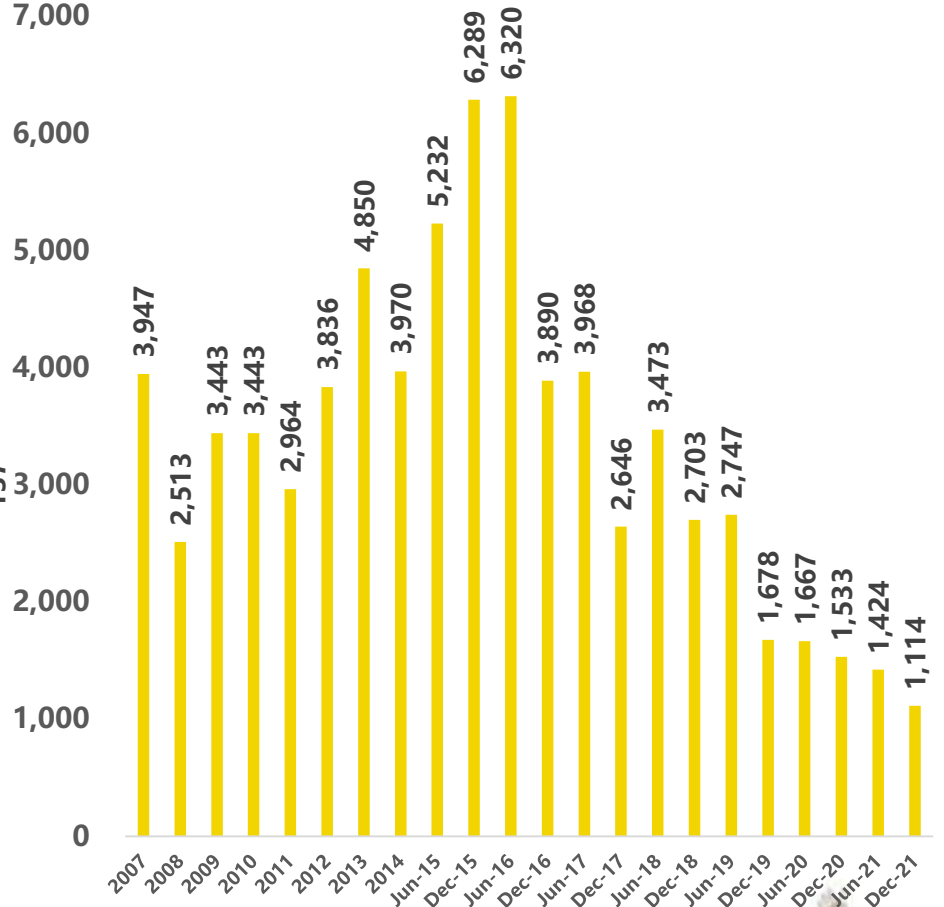


# China Division : Cost Control

Number of Branches in China



Number of Staff in China



# Initiatives

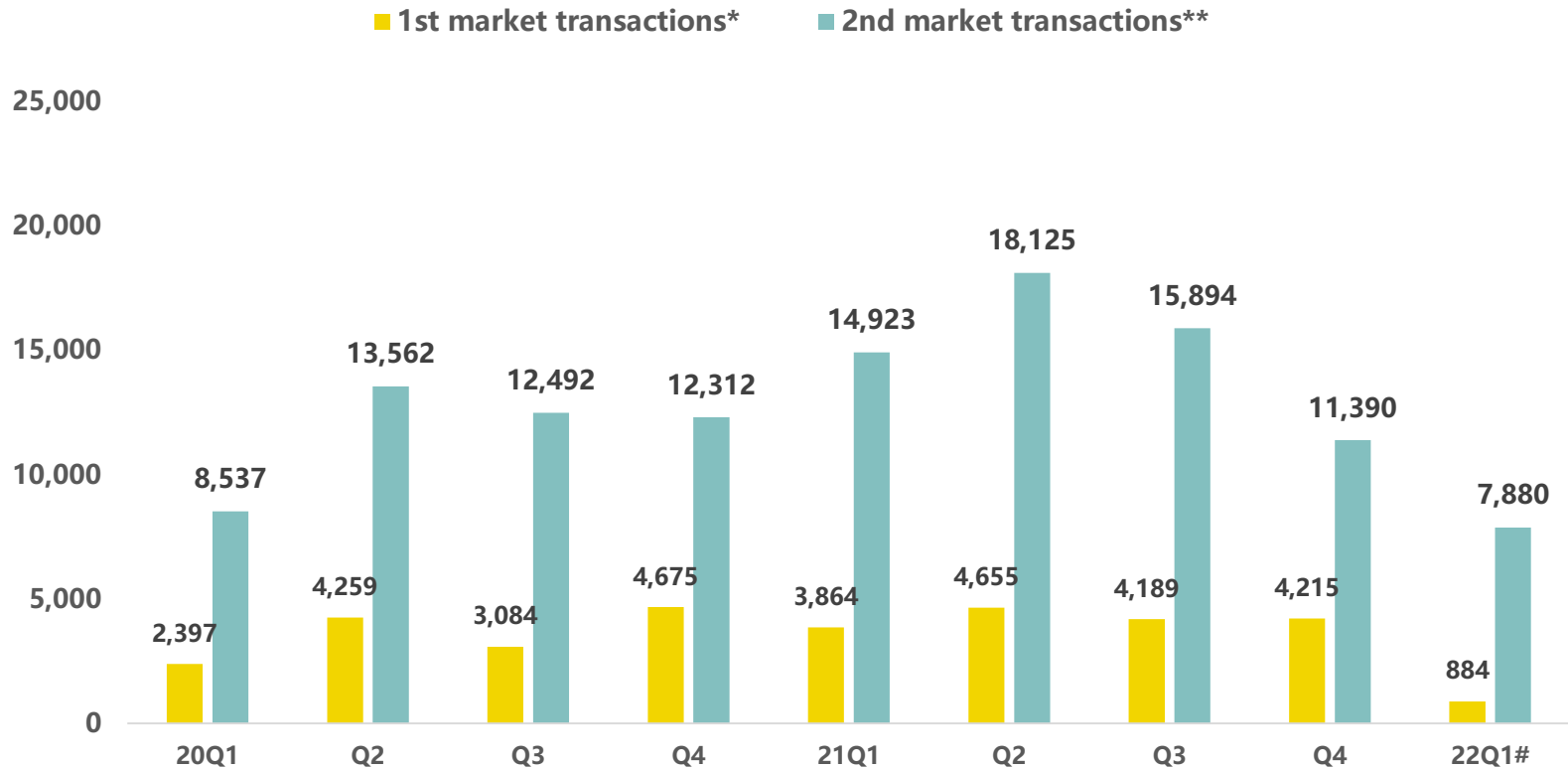
- 1** Midland Realty has increased its market share in the New Territories and Kowloon, where the bulk of the local transactions took place.
- 2** As developers focused on unsold inventories, the Group' s sales results in this segment also shown growth.
- 3** Hong Kong Property, the previously underperforming 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.
- 4** 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.
- 5** The Group became a corporate partner of the Hong Kong Science Park to explore new technology.
- 6** The Group has 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.



# Prospects

# Property Market: Hot in 1H21, Cooled down in 2H21, Frozen in 1Q22

## No. of primary\* and secondary\*\* transactions



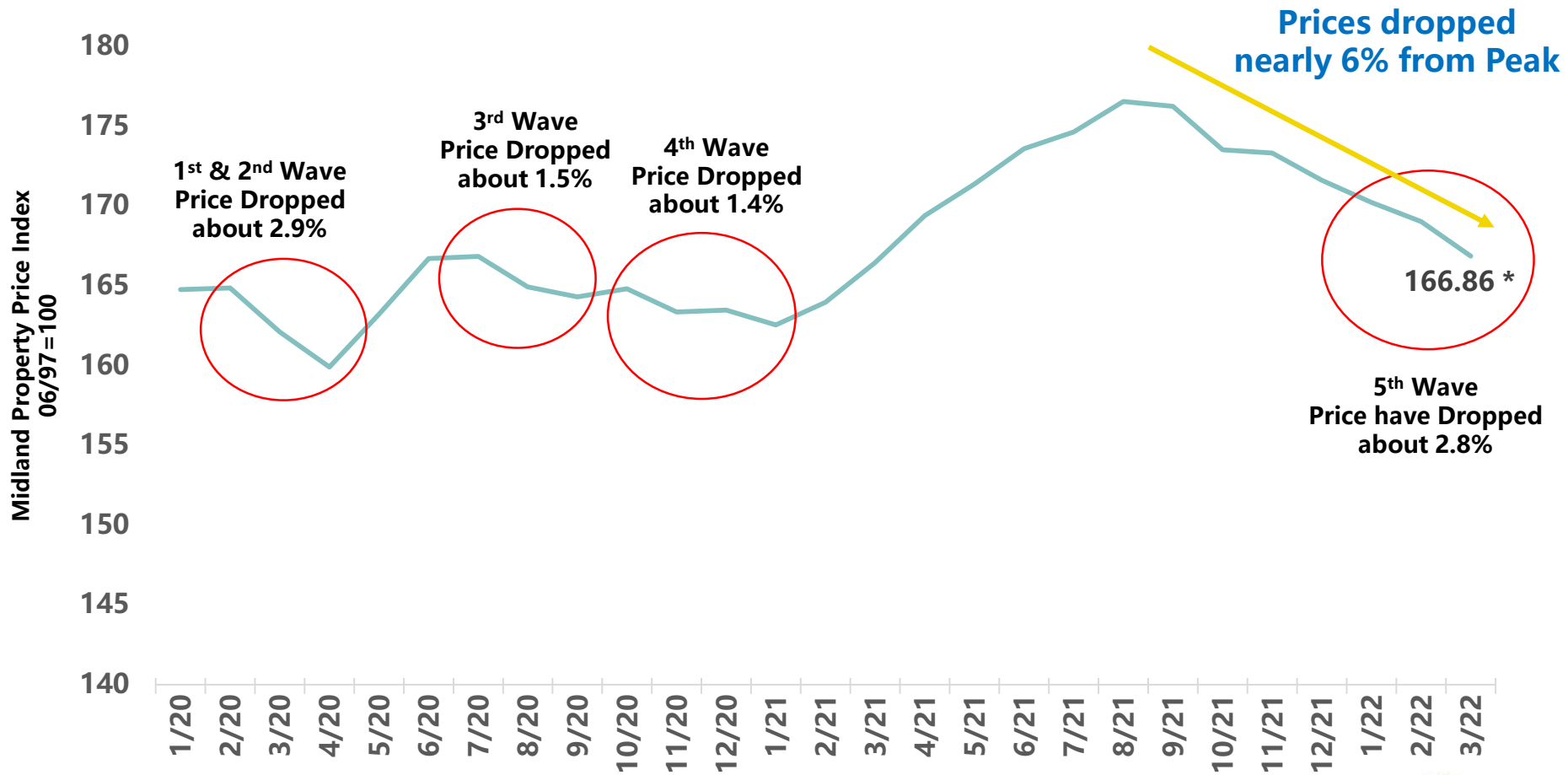
# up to 21.3.2022

\* Based on the information in Sales of First-hand Residential Properties Electronic Platform. Default Transactions are excluded.

\*\* Transaction volume is from the Land Registry & Midland Realty Research. The statistics generally reflect land transactions executed last month, as it takes about 1 month between the execution of deeds and their lodgment for registration.

Source: Midland Property Data and Research Centre

# Property prices have dropped 2.8% in the 5<sup>th</sup> wave of Pandemics



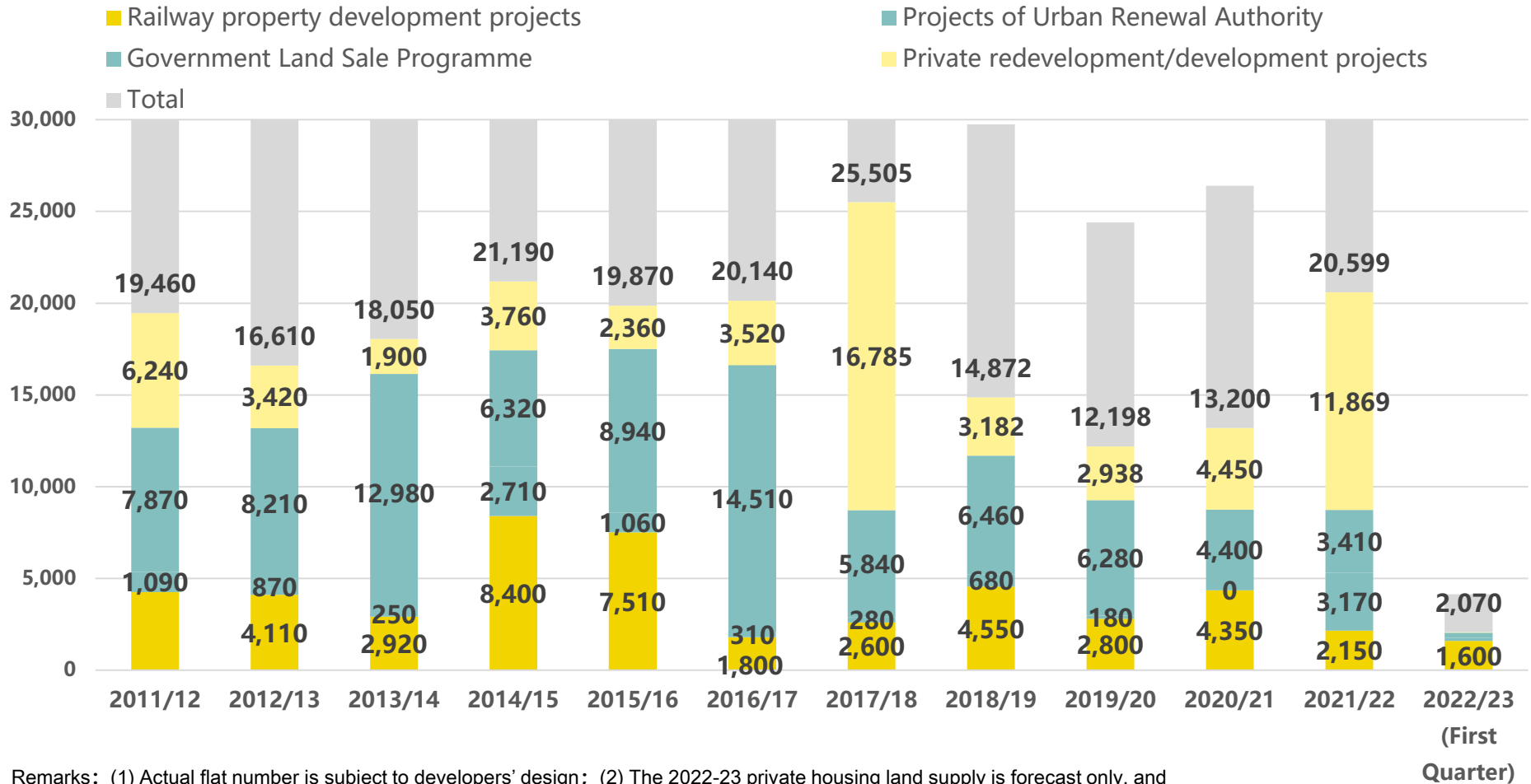
\* As of 21.3.2022

Source: Midland Property Data and Research Centre





# Land Supply increase is not enough to make up the shortfall



Remarks: (1) Actual flat number is subject to developers' design; (2) The 2022-23 private housing land supply is forecast only, and will be adjusted at the end of the financial year with reference to the actual land supply.

Source: Development Bureau

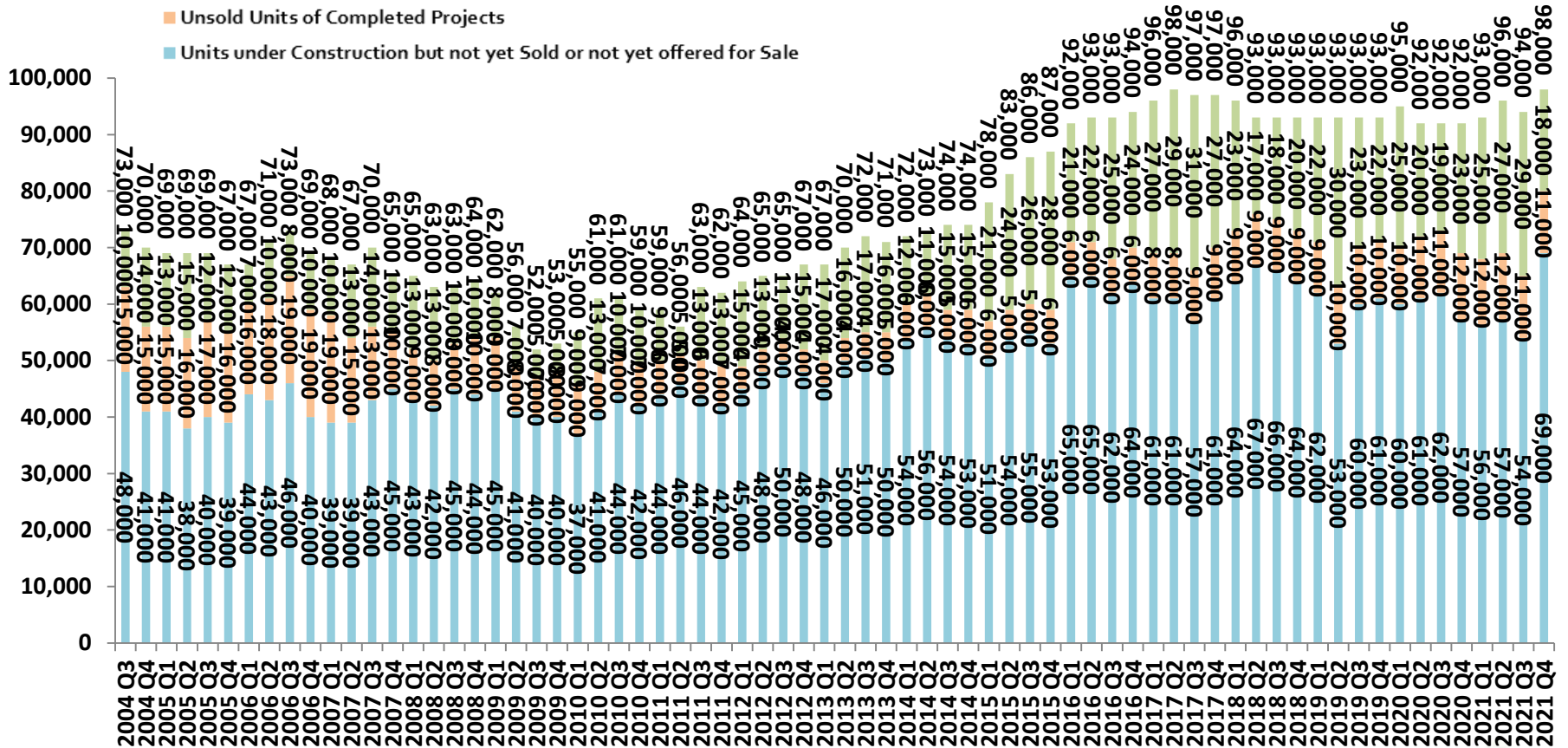
Last Update Date: 24.2.2022



# Private Housing Remained Tight

Total(No. of Units which are available in the coming 3-4 years)

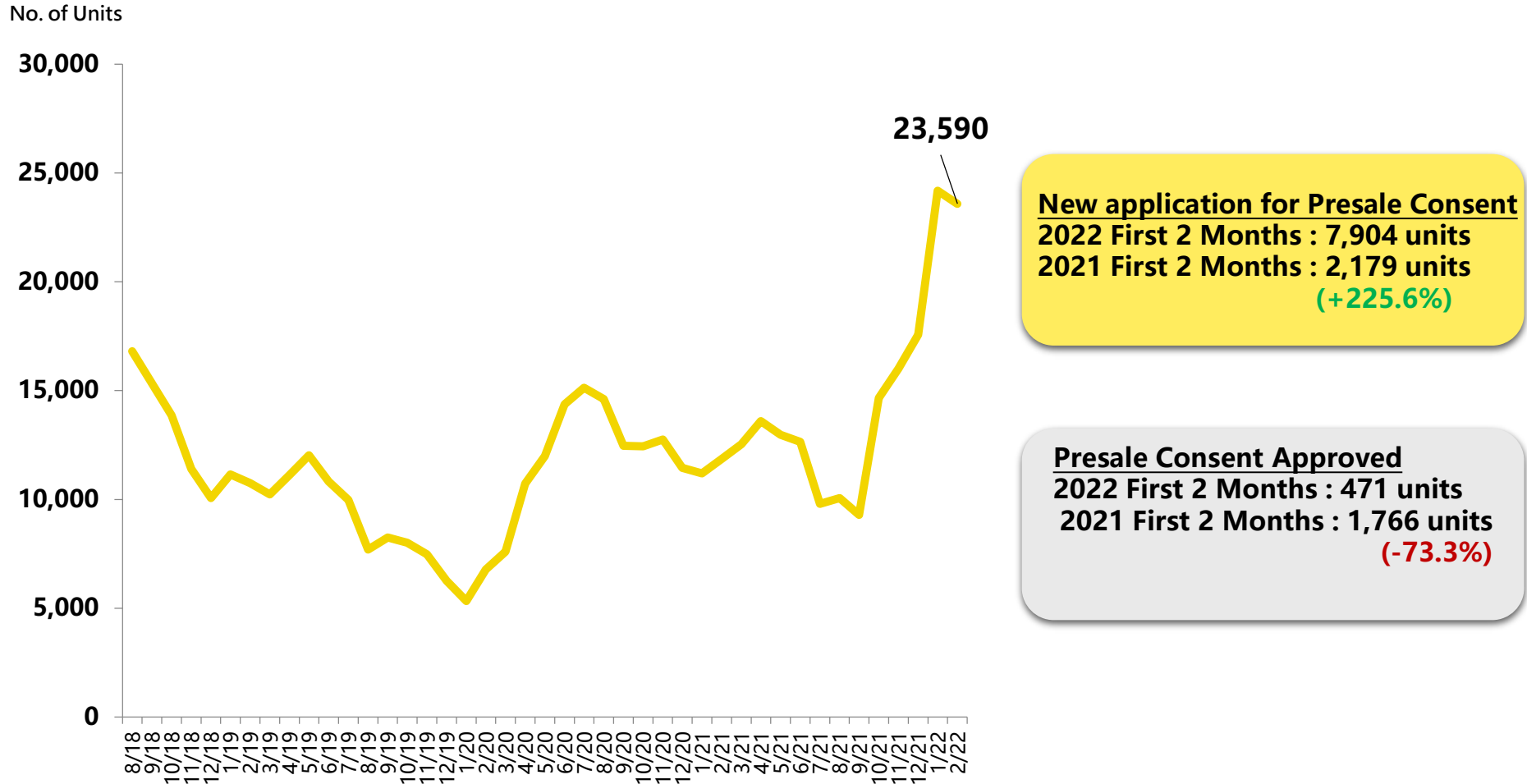
- units from disposed sites where construction may start anytime
- Unsold Units of Completed Projects
- Units under Construction but not yet Sold or not yet offered for Sale



Source: Transport and Housing Bureau



# Pending Approval of Presale Consent



The above projects include private and subsidized sale housing  
 Source : Lands Department & Midland Property Data and Research Centre

# Where do the New Projects Come from?

## Presale Consent Approved but not yet launched (up to 22.03.2022):

District	Address / Development Name	No. of Units
Mid-Levels	21 Borrett Road (Phase 2)	66
Ap Lei Chau	No. 66 Lee Nam Road	295
South	No. 15 Shouson Hill Road West	15
Central	ONE CENTRAL PLACE	121
North Point	Victoria Harbour (Phase 2B-2)	123
North Point	Victoria Harbour (Phase 2B-3)	228
Kai Tak	The Henley (Phase 2)	301
Kai Tak	Monaco Marine	559
Ho Man Tin	No. 233 Prince Edward Road West	75
Ho Man Tin	Prince Central	101
Beacon Hill	Mont Verra	64
Beacon Hill	No. 9 Yin Ping Road (Phase 1)	332
Sha Tin	St Michel (Phase 2)	139
Tai Po	No. 36 Lo Fai Road	262
Others		8
<b>Total</b>		<b>2,689</b>

**Presale consent Approved : 2,689**

Source : Lands Department & Midland Property Data and Research Centre

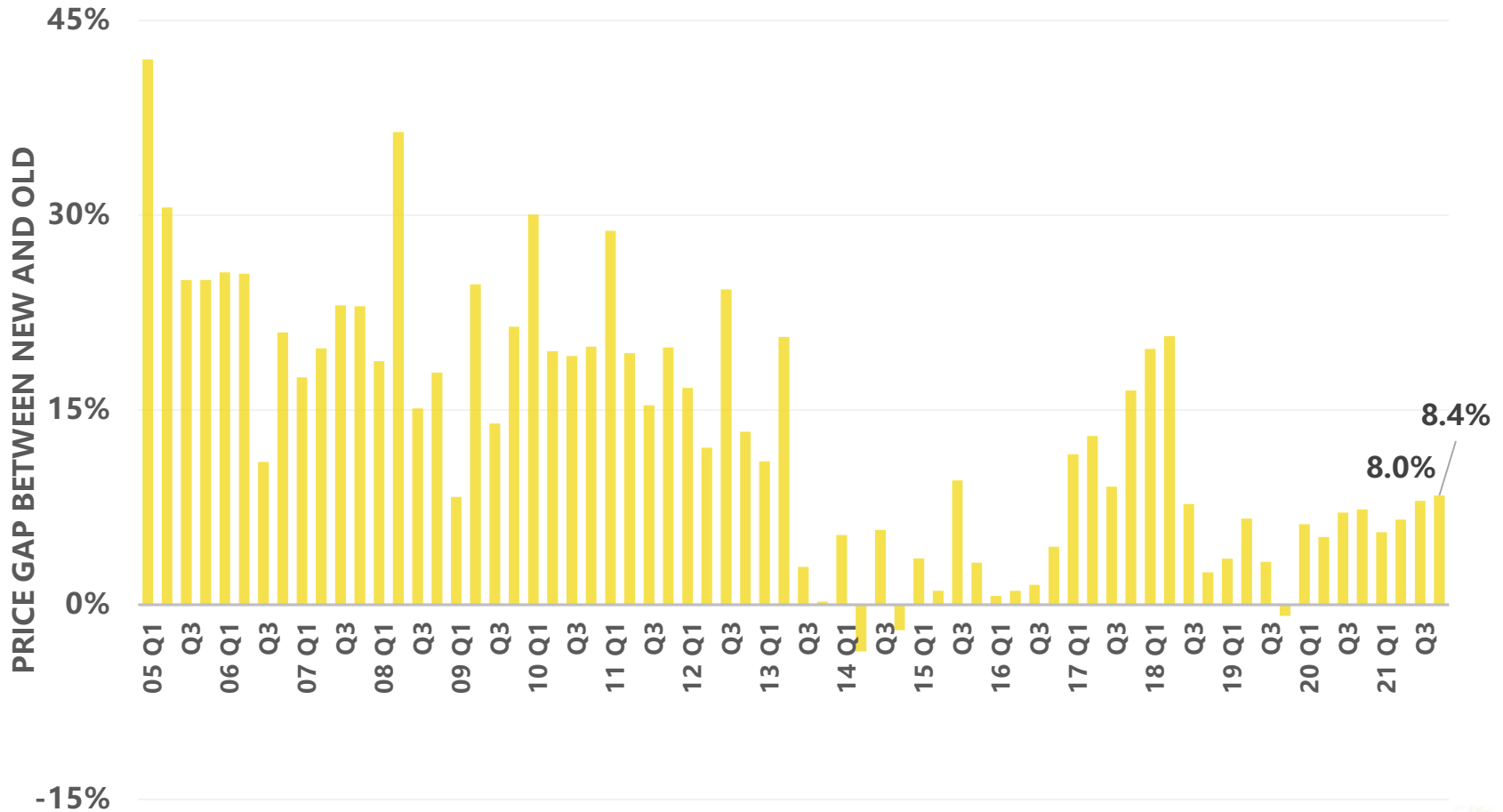
## Pending Approval of Presale Consent (up to FEB 2022)

District	Address / Development Name	No. of Units
Wong Chuk Hang	Wong Chuk Hang station (Phase 4A & 4B)	800
Ho Man Tin	Ho Man Tin station (Phase 1A & 1B)	631
Sham Shui Po	No. 280 Tung Chau Street	262
Kai Tak	No. 8 Muk Tai Street	756
Kai Tak	No. 23 Shing Fung Road (Phase 1 & 2)	1,219
Kai Tak	No. 19 Shing Fung Road (Phase 1, 2 & 3)	1,590
Kai Tak	No. 15 Shing Fung Road (Phase 1)	1,017
Kai Tak	No. 2 Shing Fu Lane	582
Kai Tak	NKIL 6554 (Phase 1-4)	2,062
Kai Tak	NKIL 6568 (Phase 1)	906
Kai Tak	NKIL 6551 (Phase 1)	299
Kwun Tong	KOKO HILLS (Phase 3A)	392
Kwun Tong	KOKO HILLS (Phase 3B)	444
Yau Tong	NKIL 6593	634
TKO	Lohas Park station (Phase 11B,11C & 11D)	1,880
Tai Po	No. 63 Yau King Lane (Phase 1, 2A & 2B)	1,871
Tuen Mun	No. 8 Yan Po Road (Phase 1A, 1B, 2A, 2B, 3A & 3B)	4,585
Tuen Mun	No. 18 Kwun Chui Road	698
Tuen Mun	No. 170 Castle Peak Road, Tai Lam (phase 1 & 2)	800
Yuen Long	The YOHO Hub (Phase C)	939
Yuen Long	Kam Sheung Road Station (Phase 1A)	715
Others		508
<b>Total</b>		<b>23,590</b>

**Pending Approval : 23,590**

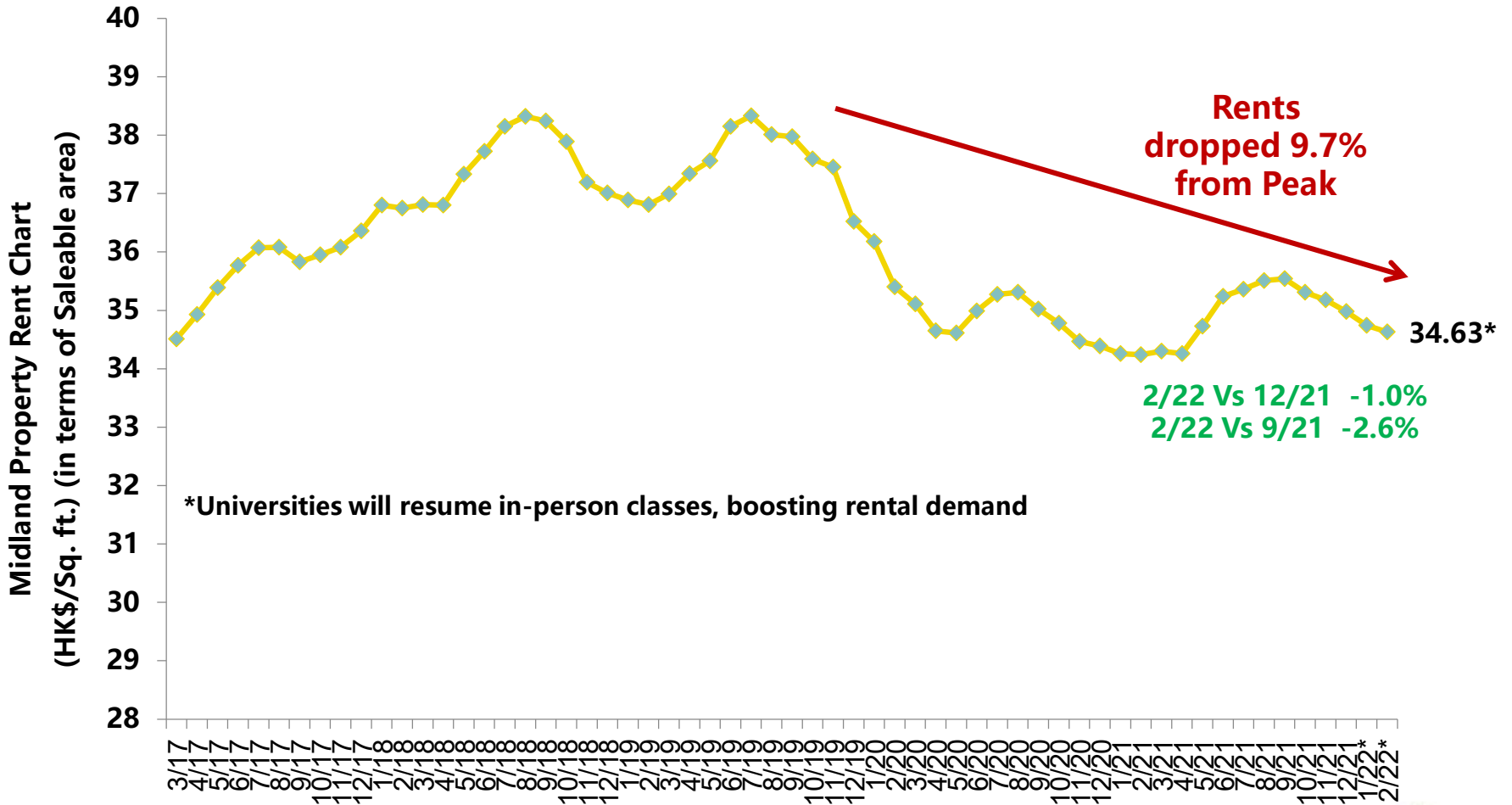
24

# Price Differential between the New and Old Units



Source: Midland Property Data and Research Centre

# Rental Market has softened due to pandemic



\*Provisional Figures  
Source: Midland Property Data and Research Centre





# Impacts of Relaxation of Mortgage Insurance will be great

## Changes in 2019

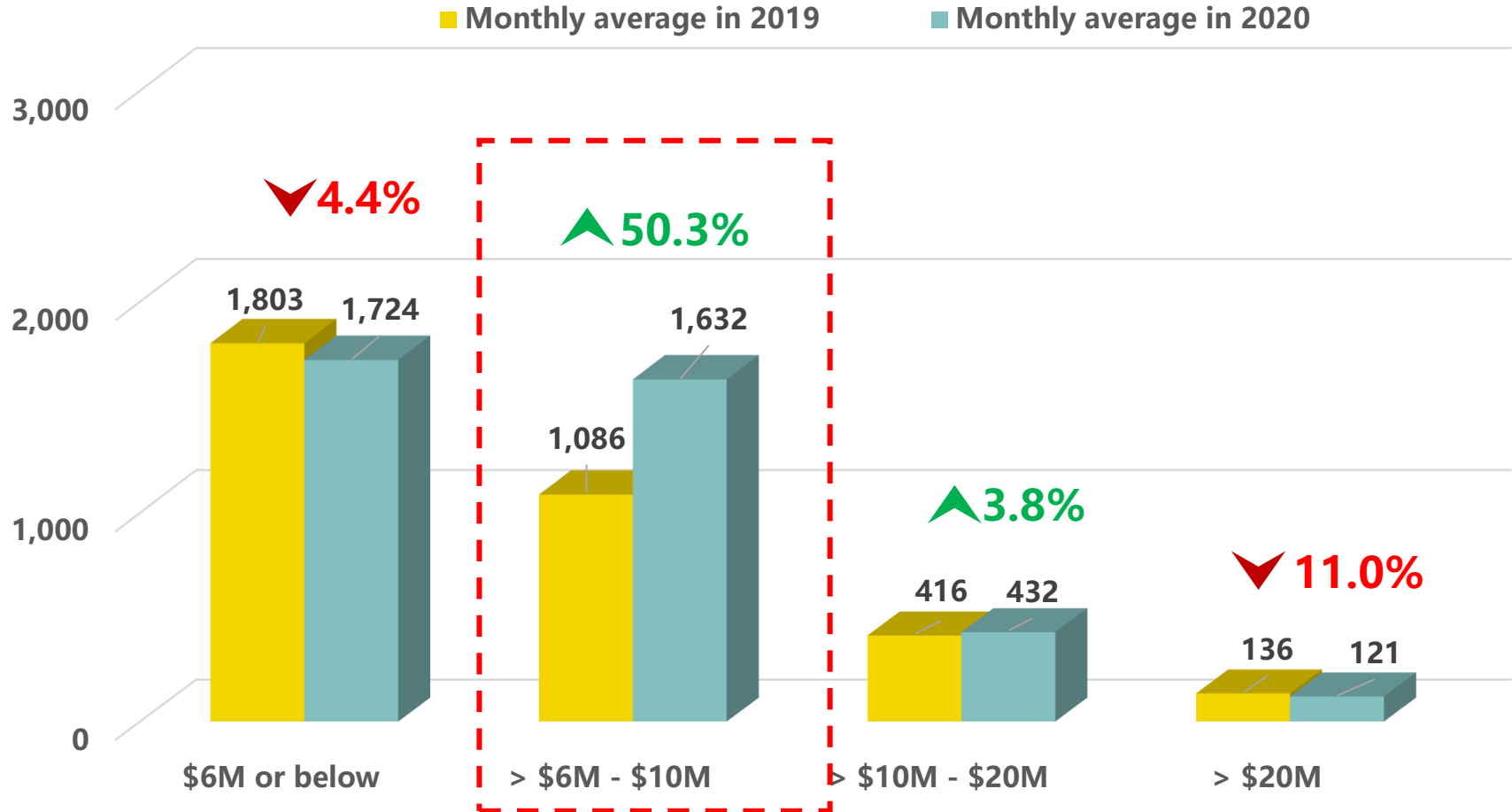
Property Amount	Change in LTV	Max LTV
< = \$4M	No Change	90%
\$4M - \$6M	+10%	90%
\$6M - \$8M	+30%	90%
\$8M - \$10M	+20 to 30%	80%

## Changes in 2022

Property Amount	Change in LTV	Max LTV
< = \$8M	No Change	90%
\$8M - \$10M	+10%	90%
\$10M - \$11.25M	+ 30 to 40%	80 - 90% (Max 9M)
\$11.25M - 12M	+30%	80%
\$12M - 19.2M	+ 0 to 30%	50 to 80% (Max 9.6M)

Source: Land Registry and Midland Property Data and Research Centre

# Impacts of the last relaxation (2020 vs 2019)

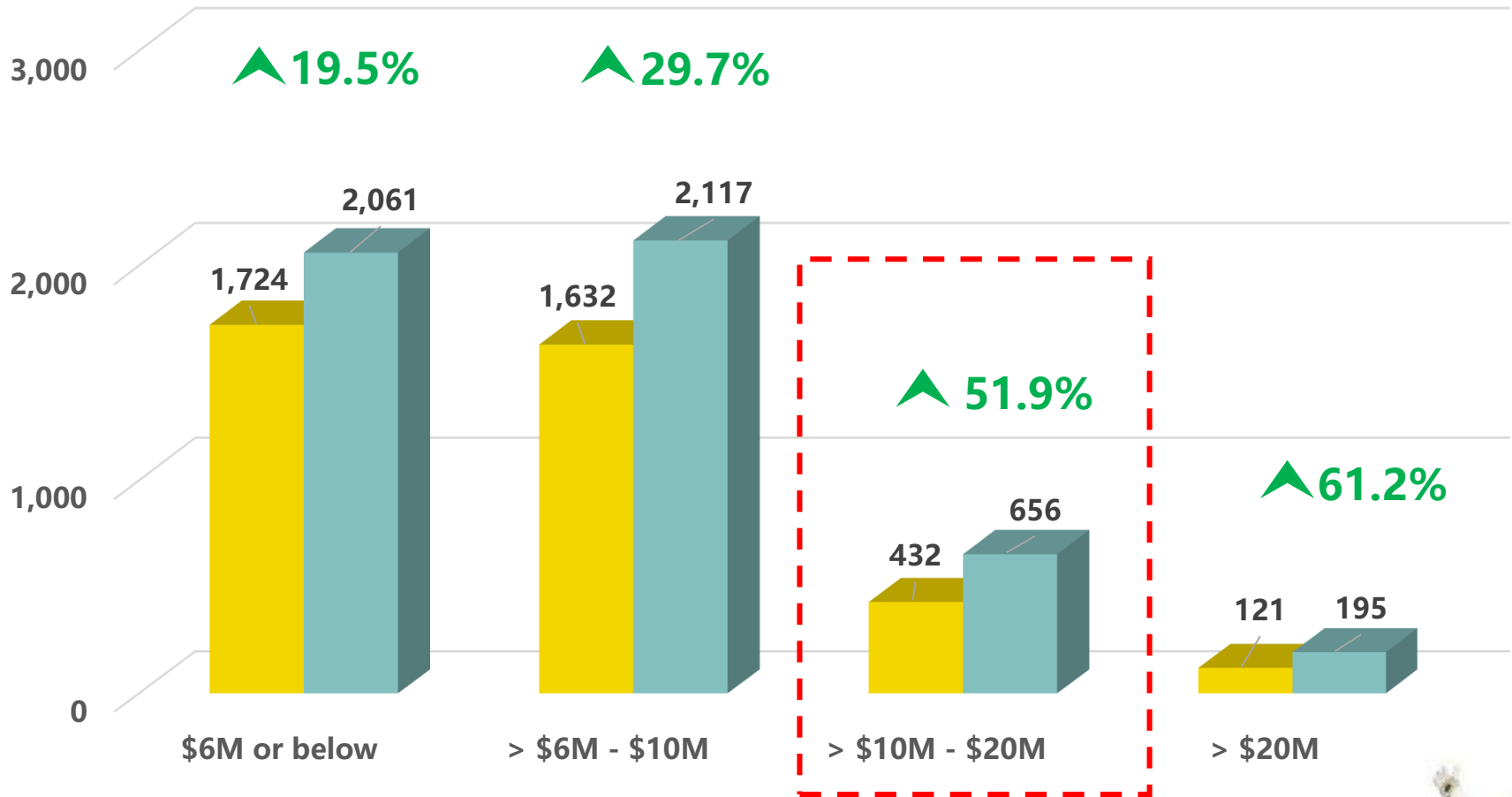


Source: Land Registry and Midland Property Data and Research Centre

# Impacts of the last relaxation (2021 vs 2020)

■ Monthly average in 2020

■ Monthly average in 2021



Source: Land Registry and Midland Property Data and Research Centre



# Expected Impacts

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1

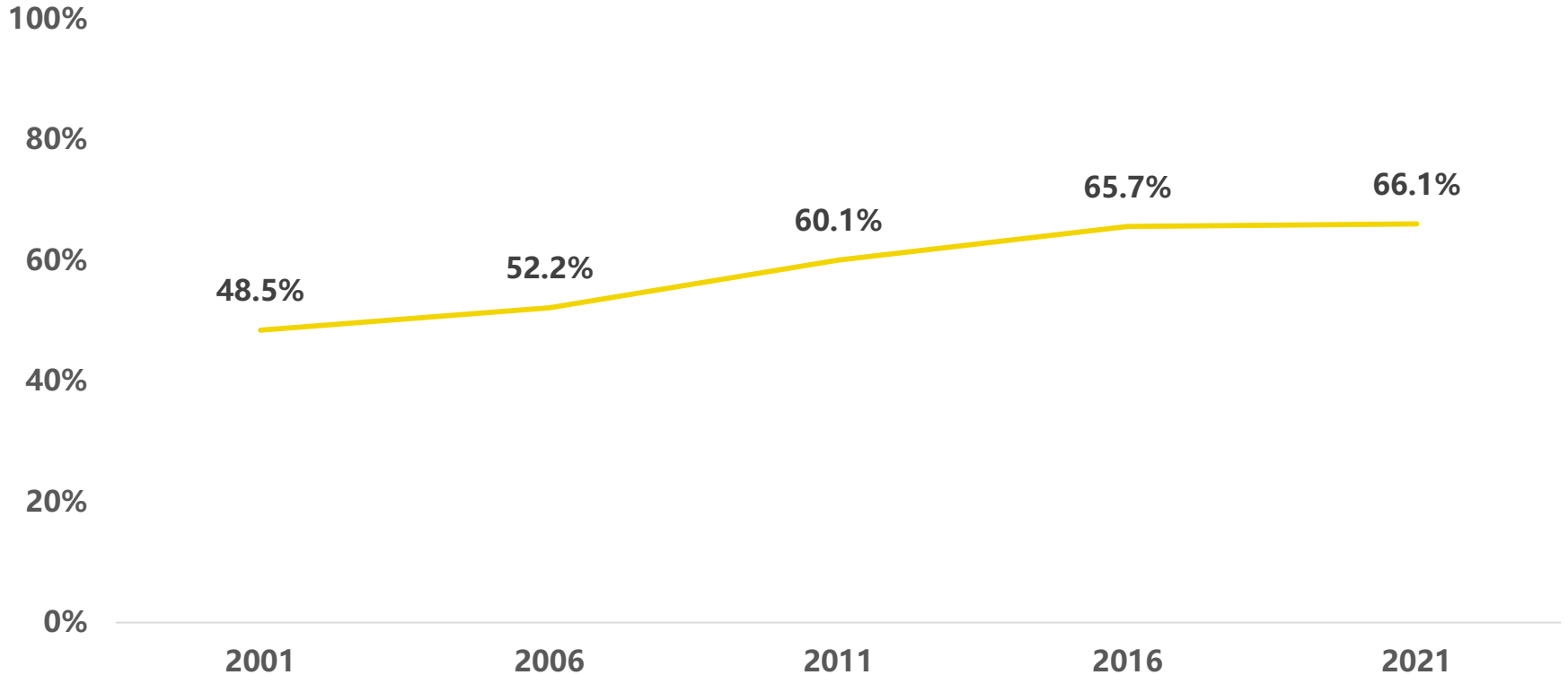
Unleash upgrading power which had been suppressed for about a decade

2

Encourage first time buyers and long term investors to go for property valued above 10 million

# Huge underlying upgrading power

## Proportion of Owner-occupiers\* without mortgage payment and loan repayment



\* Owner-occupiers refer to the domestic households which own the quarters they occupy  
Source: Census and Statistics Department

# Properties valued at between \$8M to \$19.2M outperformed

## 35 Most Popular Housing Estates Transactions

	1 month after new LTV (23/2 to 24/3) Market volume	1 month before new LTV (24/1 to 22/2) Market volume	Change
< = \$8M	139	123	+13.0%
> \$8M - \$10M	72	55	+30.9%
> \$10M - \$12M	38	18	+111.1%
> \$12M - \$19.2M	32	24	+33.3%
> \$19.2M	4	7	-42.9%
<b>Total</b>	<b>285</b>	<b>227</b>	<b>+25.6%</b>

Note:

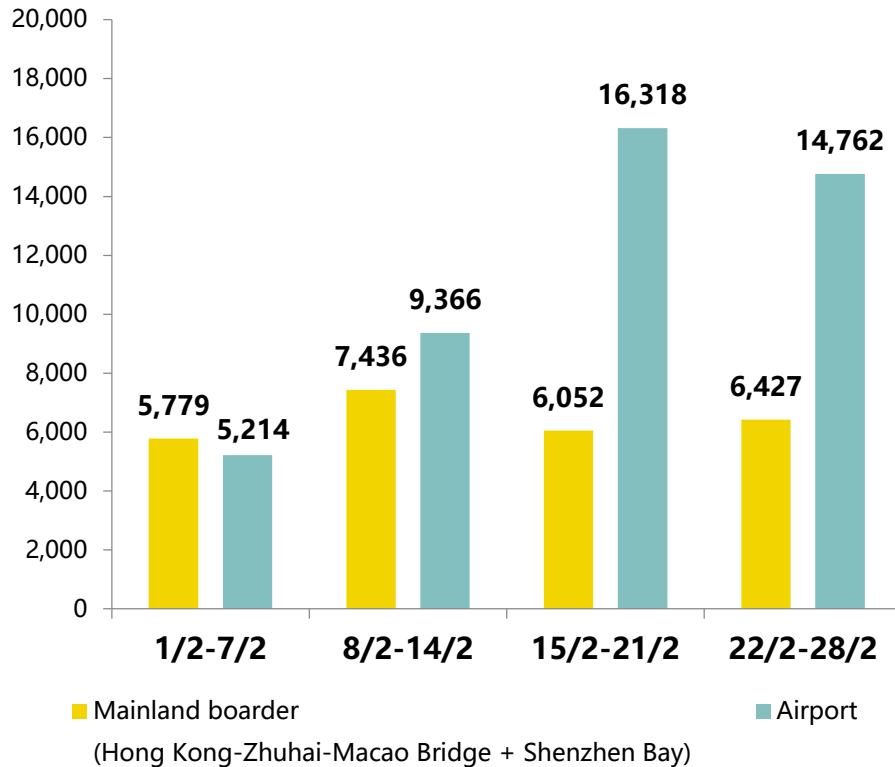
1) The transaction records of 35 housing estates were collected from the market by Midland branches which might not equal to the actual transaction records of the estates.

2) Figures are preliminary and subject to change

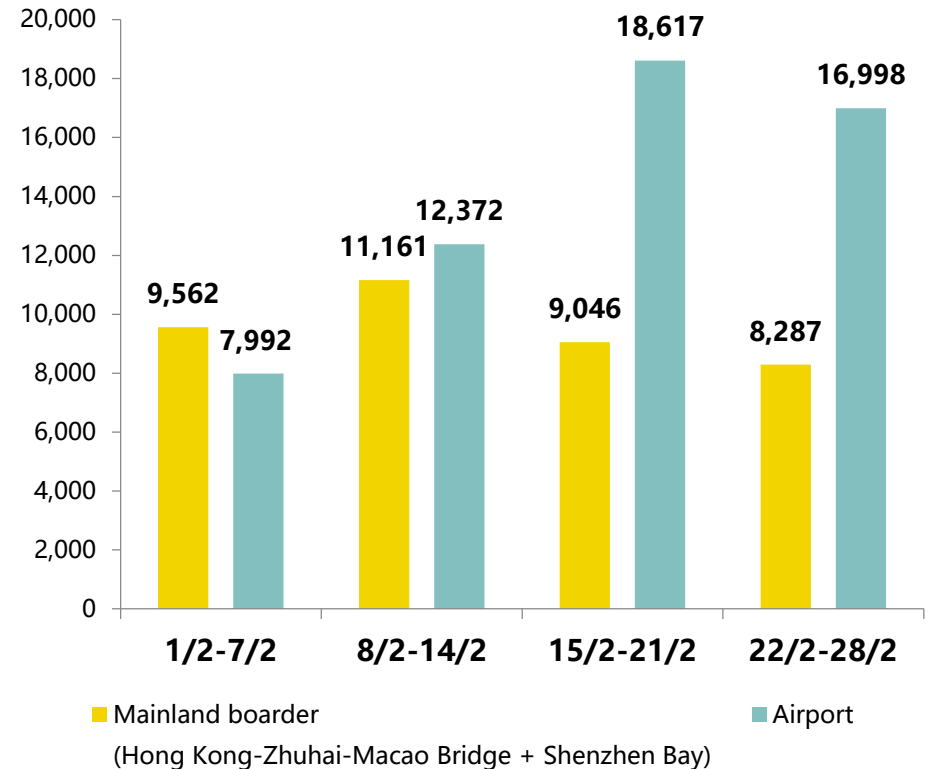
Source: Midland Property Data and Research Centre

# To Stay away from the Pandemics

## Net outflow of passenger\* in HK (February 2022)



## Departure of passenger\* in HK (February 2022)

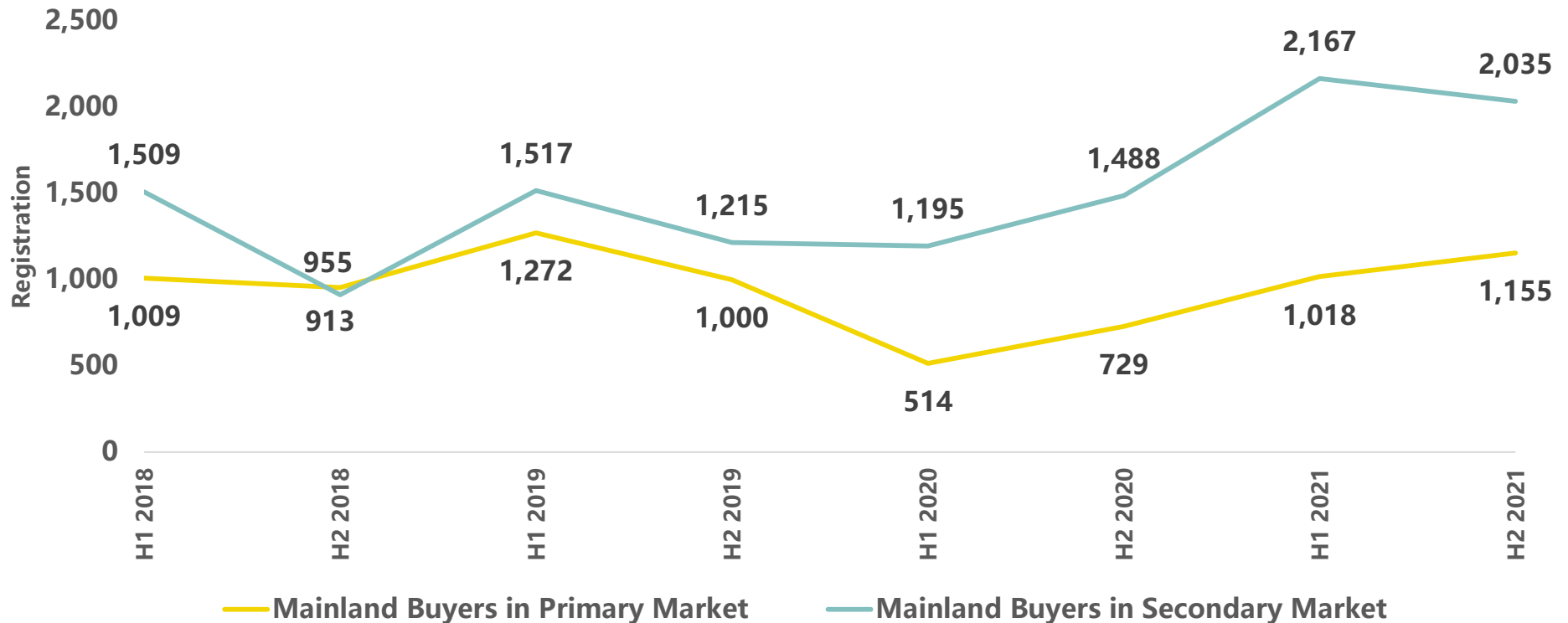


\* Including Hong Kong residents, Mainland and other visitors

Source: Immigration Department



# Involvement of Mainlanders Vs Pandemics



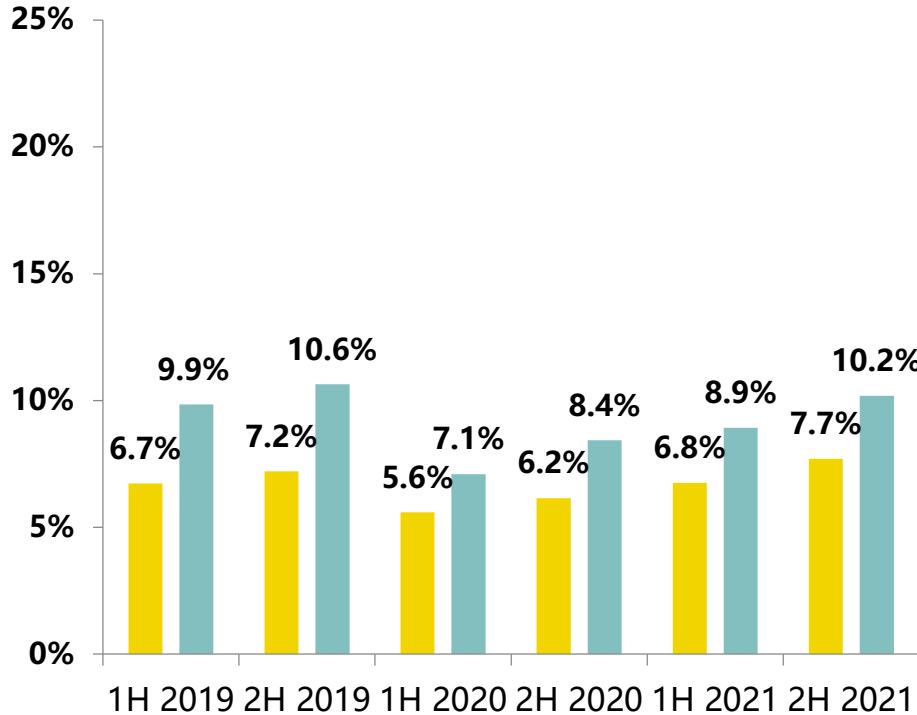
## Note:

- 1) English and Romanized names are the subject in determining if a buyer is mainlander;
  - 2) Only known cases are considered in calculation, and company cases are excluded;
  - 3) Figures in secondary market include public housing;
  - 4) Because of the time needed in registration, figures generally represent the market one month prior;
- Figures are preliminary and subject to change Source: Land Registry and Midland Property Data and Research Centre

# Mainlanders in favor of primary projects

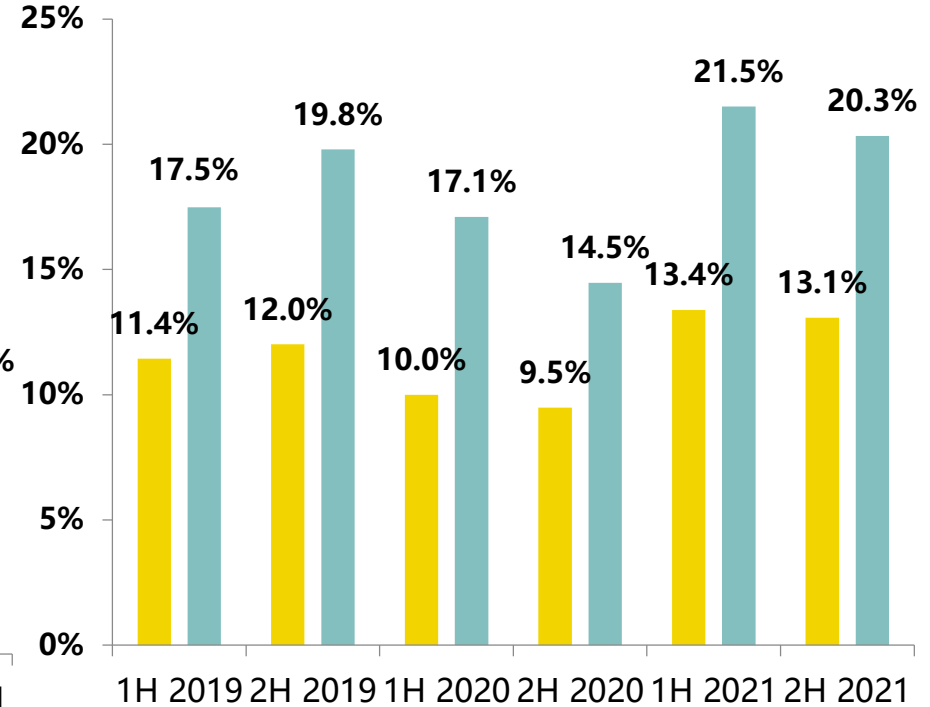
Secondary market

■ Volume ■ Value



Primary market

■ Volume ■ Value



Note:

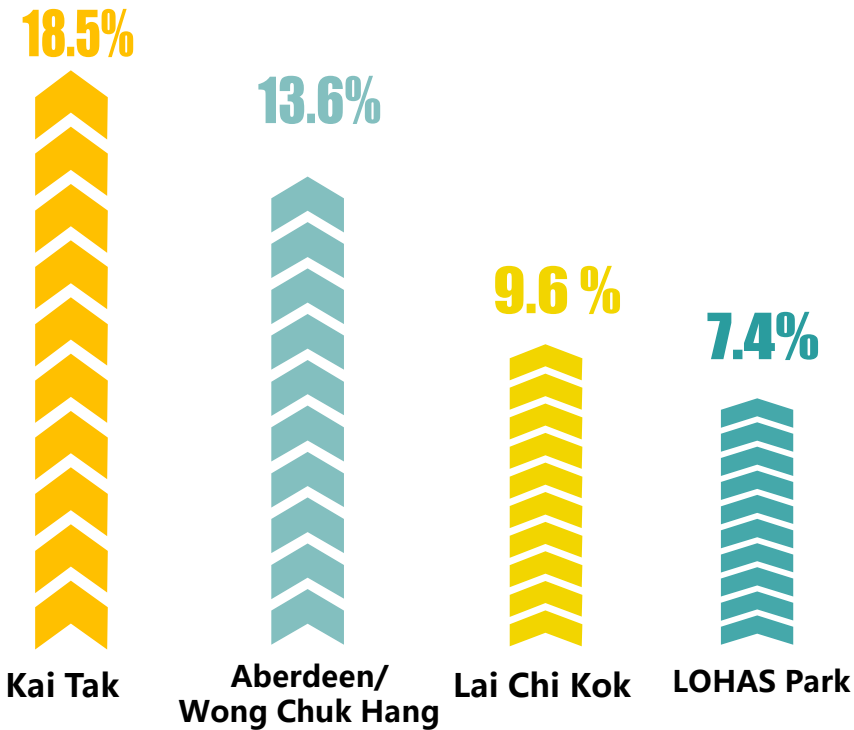
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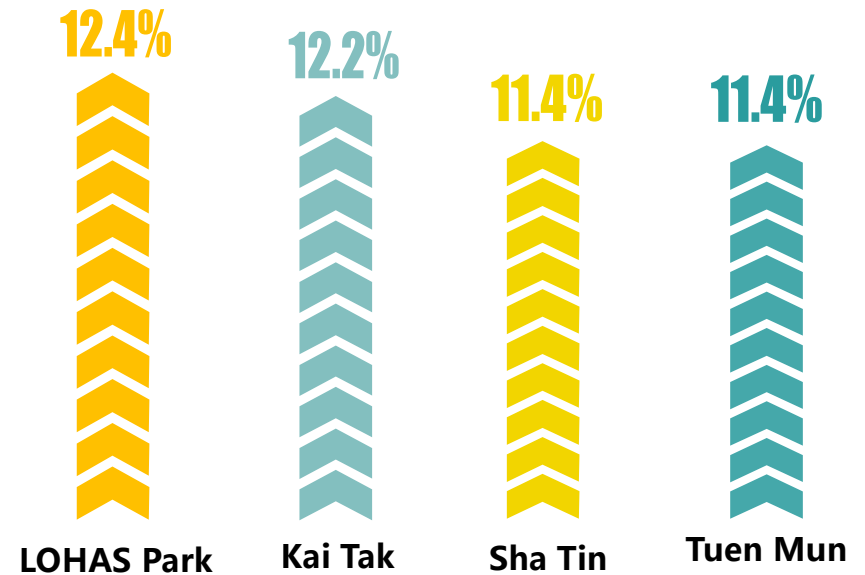


# Top choices of Mainlanders in Primary Market

Year 2021



Year 2020



Note:

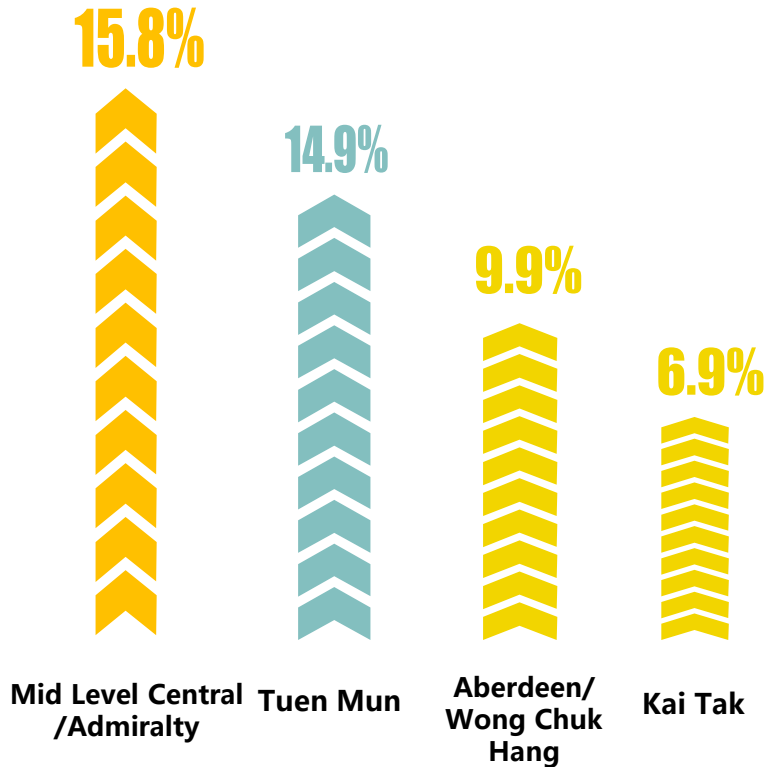
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Source: Land Registry and Midland Property Data and Research Centre

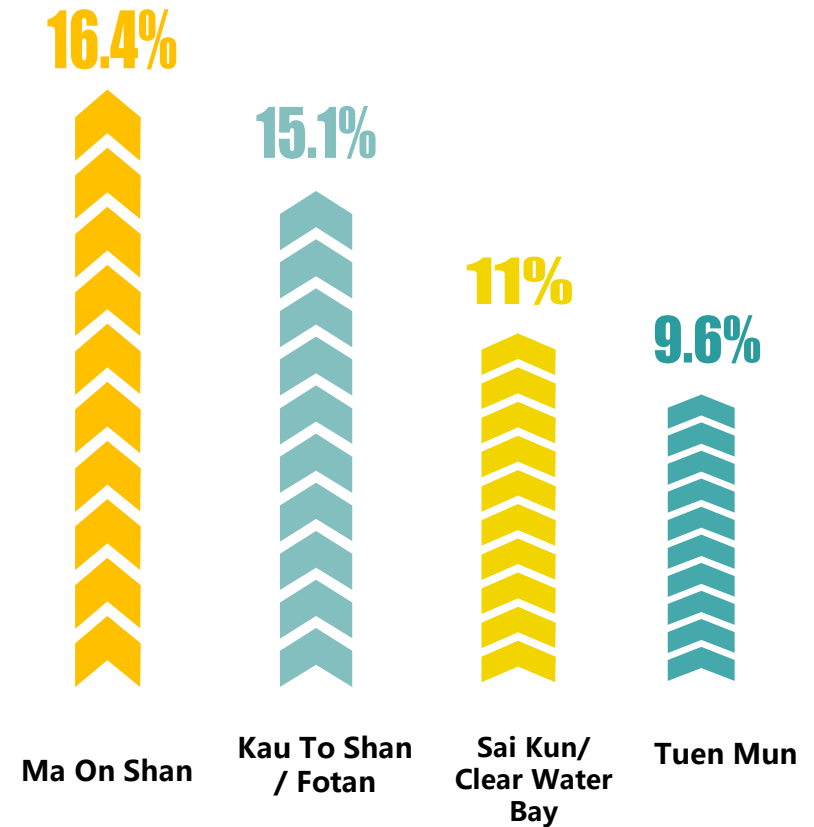


# Top choices of Mainlanders in Primary Market (over 50M)

Year 2021



Year 2020



Note:

- 1) English and Romanized names are the subject in determining if a buyer is mainlander;
- 2) Only known cases are considered in calculation, and company cases are excluded;
- 3) Because of the time needed in registration, figures generally represent the market one month prior;

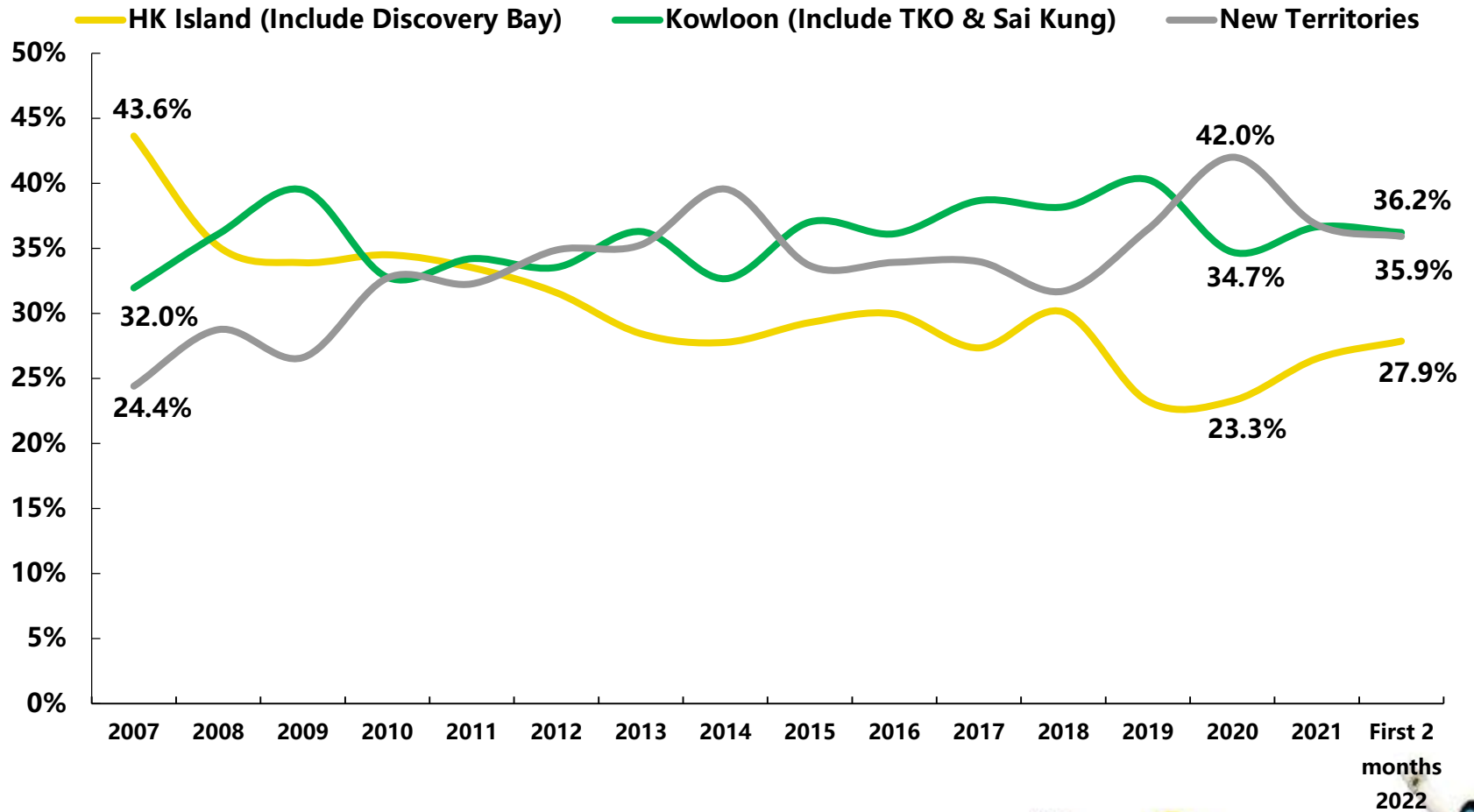
\*Figures in 1H 2021 are preliminary and subject to change

Source: Land Registry and Midland Property Data and Research Centre



# Kowloon and New Territories are gaining strength

## Transaction value Breakdowns by District





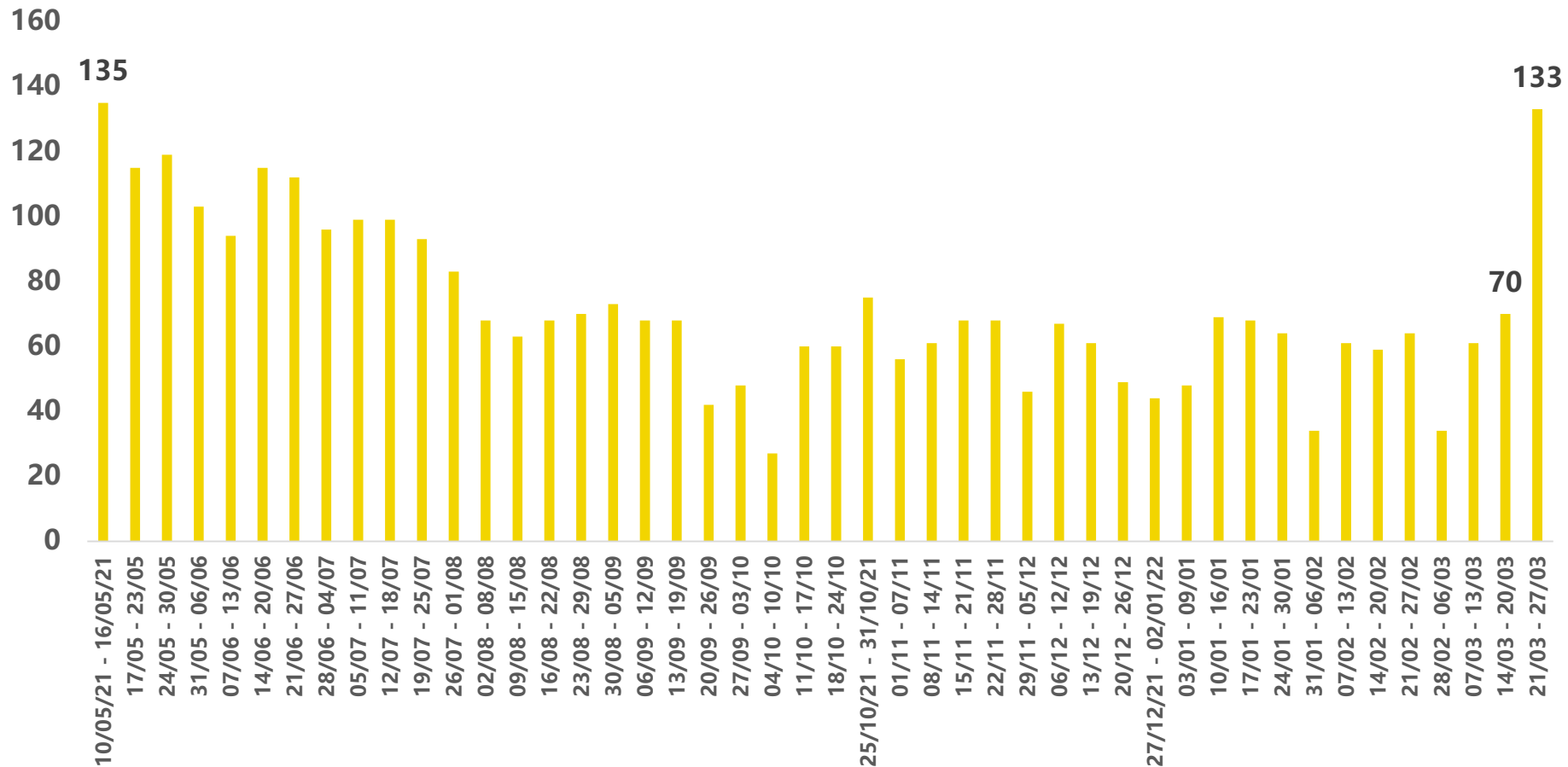
# 42% mainland buyers acquired properties along the Tuen Ma Line



\* Over the period from April 2020 to April 2021



## 2<sup>nd</sup> home sales reached new high in 45 weeks after CUT has been held off



Note:

1) The transaction records of 35 housing estates were collected from the market by Midland branches which might not equal to the actual transaction records of the estates.

2) Figures are preliminary and subject to change

Source: Midland Property Data and Research Centre



# Market in 2022

Primary Transaction Volume : **17,000**

Secondary Transaction Volume: **55,000**

Home Prices: **up 5%**



**Thank You**