

Stay United,  
Tough and Diligent to  
March Forward



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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman*)  
Ms. WONG Ching Yi, Angela  
(*Deputy Chairman and Managing Director*)  
Mr. WONG Tsz Wa, Pierre (*Managing Director*)  
Mr. CHEUNG Kam Shing

#### Independent Non-Executive Directors

Mr. HO Kwan Tat, Ted  
Mr. SUN Tak Chiu  
Mr. WONG San

### AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted (*Committee Chairman*)  
Mr. SUN Tak Chiu  
Mr. WONG San

### REMUNERATION COMMITTEE

Mr. SUN Tak Chiu (*Committee Chairman*)  
Mr. WONG Kin Yip, Freddie  
Ms. WONG Ching Yi, Angela  
Mr. HO Kwan Tat, Ted  
Mr. WONG San

### NOMINATION COMMITTEE

Mr. HO Kwan Tat, Ted (*Committee Chairman*)  
Mr. WONG Kin Yip, Freddie  
Ms. WONG Ching Yi, Angela  
Mr. SUN Tak Chiu  
Mr. WONG San

### COMPANY SECRETARY

Ms. MUI Ngar May, Joel

### AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela  
Mr. SZE Ka Ming

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor  
World-Wide House  
19 Des Voeux Road Central  
Hong Kong

### AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22nd Floor  
Prince's Building  
Central  
Hong Kong

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Chong Hing Bank Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
OCBC Wing Hang Bank Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited  
4th Floor, North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### WEBSITE

[www.midland.com.hk](http://www.midland.com.hk)

### STOCK CODE

1200

# Chairman's Statement

## Business Review

Midland Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") announce that for the six months ended 30 June 2022 (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%.

# Chairman's Statement (continued)

## Business Review (continued)

### 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.

## 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.

# Chairman's Statement (continued)

## Outlook (continued)

### 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 polices 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.

## 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.

**WONG Kin Yip, Freddie**  
*Chairman*

## Strategic Review and Planning

### **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.

## Strategic Review and Planning (continued)

### 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.

**WONG Ching Yi, Angela**

*Deputy Chairman and Managing Director*

Hong Kong, 30 August 2022

# Management Discussion and Analysis

The Chairman's Statement from pages 3 to 5 and the Strategic Review and Planning from pages 6 to 7 form part of the Management Discussion and Analysis.

## 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	1,169,240	687,000

As at 30 June 2022, the net gearing ratio of the Group, which is calculated on the basis of net borrowings<sup>1</sup> (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).

<sup>1</sup> Net borrowings is zero when the amount of cash and bank balances is higher than total borrowings.

# Management Discussion and Analysis (continued)

## Financial Review (continued)

### Liquidity and financial resources (continued)

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.

### 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.

## Other Information

### Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2022, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or otherwise, were as follows:

#### Long positions in the shares and underlying shares of the Company

Name of Directors	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued voting shares of the Company
	Corporate interest/ Interest of controlled corporations	Personal interest/ Beneficial owner <i>(Note 1)</i>		
Mr. WONG Kin Yip, Freddie	265,525,824 <i>(Note 2)</i>	4,587,150	270,112,974	37.67%
Ms. WONG Ching Yi, Angela	–	4,587,150	4,587,150	0.64%

*Notes:*

- These underlying shares (being physically settled unlisted derivatives) were held by the Director(s) by virtue of the interests in the share options of the Company granted to him/her. Details of the share options granted by the Company to the above Directors are set out in the section headed "Share Option Scheme" in this interim report.
- These shares were held by Sunluck Services Limited which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited.

Save as disclosed above, as at 30 June 2022, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Other Information (continued)

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this interim report, at no time during the Interim Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2022, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholders	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Ms. TANG Mei Lai, Metty <i>(Note 1)</i>	270,112,974 (L)	Interest of spouse/Family interest	37.67%
Southern Field Trading Limited <i>(Note 2)</i>	265,525,824 (L)	Interest of controlled corporation/ Corporate interest	37.03%
Sunluck Services Limited <i>(Note 2)</i>	265,525,824 (L)	Beneficial owner/Beneficial interest	37.03%
Sun Life Financial, Inc. <i>(Note 3)</i>	93,766,100 (L)	Interest of controlled corporations/ Corporate interest	13.08%
Sun Life of Canada (U.S.) Financial Services Holdings, Inc. <i>(Note 3)</i>	93,766,100 (L)	Interest of controlled corporations/ Corporate interest	13.08%
Massachusetts Financial Services Company <i>(Note 3)</i>	89,710,100 (L) 4,056,000 (L)	Investment manager/Other interest Interest of controlled corporations/ Corporate interest	12.51% 0.57%
LAM Yuen Hing <i>(Note 4)</i>	18,456,000 (L) 17,978,000 (L)	Beneficial owner/Beneficial interest Interest of spouse/Family interest	2.57% 2.51%

Remark: (L) – Long Position

## Other Information (continued)

### Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (continued)

*Notes:*

- Such interests comprise (i) 265,525,824 ordinary shares held indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty; and (ii) 4,587,150 underlying shares (being physically settled unlisted derivatives) held by Mr. WONG Kin Yip, Freddie by virtue of the interests in the share options of the Company granted to him, as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" in this interim report. Accordingly, Ms. TANG Mei Lai, Metty was deemed to be interested in the same block of ordinary shares and underlying shares of the Company in which Mr. WONG Kin Yip, Freddie was deemed to be interested.
- The two references to 265,525,824 ordinary shares relate to the same block of ordinary shares of the Company deemed to be interested by Mr. WONG Kin Yip, Freddie as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this interim report. Southern Field Trading Limited was deemed to be interested in such ordinary shares of the Company held by Sunluck Services Limited.
- Details of the interest in long position of the 93,766,100 ordinary shares in which Sun Life Financial, Inc. ("SLF") was deemed to be interested were as follows:

Massachusetts Financial Services Company ("MFS") was interested in (through itself and its 100% controlled corporations) an aggregate of 93,766,100 ordinary shares. MFS was a 95.99% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. ("SLCFS") which was a 99.92% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(USI)"). SLF(USI) was an indirect wholly-owned subsidiary of SLF.

MFS was a subsidiary of SLCFS and SLF. Accordingly, SLCFS and SLF were deemed to be interested in the same number of ordinary shares deemed to be interested by MFS.
- Such long position includes interests in ordinary shares only.

Save as disclosed above, as at 30 June 2022, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## Other Information (continued)

### Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 23 June 2016, the Company adopted the 2016 share option scheme (the “2016 Share Option Scheme”).

Movements in the outstanding share options of the Company granted under the 2016 Share Option Scheme during the Interim Period were as follows:

Name	Date of grant (Note 1)	Exercise price per share HK\$	Number of share options					Balance outstanding as at 30 June 2022	Exercisable period
			Balance outstanding as at 1 January 2022	Granted during the Interim Period	Lapsed during the Interim Period	Cancelled during the Interim Period	Exercised during the Interim Period		
<b>Directors</b>									
Mr. WONG Kin Yip, Freddie	17 January 2020	1.09	4,587,150	-	-	-	-	4,587,150	17 January 2021 to 16 January 2028
Ms. WONG Ching Yi, Angela	17 January 2020	1.09	4,587,150	-	-	-	-	4,587,150	17 January 2021 to 16 January 2028
Total			9,174,300	-	-	-	-	9,174,300	

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
- The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

## Other Information (continued)

### **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.

### **Interim Dividend**

The board of Directors does not declare an interim dividend for the Interim Period (for the six months ended 30 June 2021: Nil).

### **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 condensed consolidated interim financial information of the Group for the Interim Period from pages 15 to 38 in this interim report 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 Hong Kong Institute of Certified Public Accountants. The audit committee of the Company has also reviewed this interim report.

### **Corporate Governance**

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

### **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.

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.

# Condensed Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	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
		HK cents	HK cents
(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

		As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	9	164,869	161,902
Right-of-use assets		700,904	726,498
Investment properties	9	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	10	2,001	2,385
		1,015,157	1,021,053
<b>Current assets</b>			
Trade and other receivables	11	3,106,357	3,803,541
Taxation recoverable		388	410
Loan receivables	10	18,723	22,196
Cash and cash equivalents		1,734,080	1,505,527
		4,859,548	5,331,674
<b>Total assets</b>		5,874,705	6,352,727

# Condensed Consolidated Balance Sheet (Unaudited) (continued)

AS AT 30 JUNE 2022

		As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
	Note		
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	12	71,709	71,709
Share premium		222,235	222,235
Reserves		663,678	892,252
<b>Total equity</b>		<u>957,622</u>	<u>1,186,196</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		9,338	8,948
Lease liabilities		262,039	313,418
		<u>271,377</u>	<u>322,366</u>
<b>Current liabilities</b>			
Trade and other payables	13	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>
<b>Total liabilities</b>		<u>4,917,083</u>	<u>5,166,531</u>
<b>Total equity and liabilities</b>		<u>5,874,705</u>	<u>6,352,727</u>

## Condensed Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total HK\$'000
At 1 January 2022	71,709	222,235	892,252	1,186,196
Comprehensive loss				
Loss for the period	–	–	(231,980)	(231,980)
Other comprehensive (loss)/income				
Change in fair value of financial assets at fair value through other comprehensive income	–	–	(269)	(269)
Currency translation differences	–	–	3,675	3,675
Total comprehensive loss	–	–	(228,574)	(228,574)
At 30 June 2022	71,709	222,235	663,678	957,622
At 1 January 2021	71,805	223,505	794,095	1,089,405
Comprehensive income				
Profit for the period	–	–	176,420	176,420
Other comprehensive income/(loss)				
Change in fair value of financial assets at fair value through other comprehensive income	–	–	178	178
Currency translation differences	–	–	(923)	(923)
Total comprehensive income	–	–	175,675	175,675
Transaction with owners				
Employee share option scheme – value of employee services	–	–	101	101
	–	–	175,776	175,776
At 30 June 2021	71,805	223,505	969,871	1,265,181

# Condensed Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Net cash generated from operations	100,873	356,631
Hong Kong profits tax paid	(1,317)	–
Overseas taxation paid	–	(56)
Bank loan and overdrafts interest paid	(3,816)	(5,949)
Interest element of lease payments	(9,190)	(8,455)
Net cash from operating activities	86,550	342,171
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(31,043)	(32,751)
Return of capital from financial assets at fair value through other comprehensive income	247	222
Decrease in bank deposits with maturities over three months from date of deposits	–	2,454
Bank interest received	143	113
Dividend received from a joint venture	22,588	17,574
Purchase of financial assets at fair value through profit or loss	(10,110)	–
Net cash used in investing activities	(18,175)	(12,388)
<b>Cash flows from financing activities</b>		
Principal element of lease payments	(320,365)	(295,721)
Proceeds from bank loans	2,745,000	3,790,000
Repayment of bank loans	(2,262,760)	(2,837,700)
Net cash from financing activities	161,875	656,579
<b>Net increase in cash and cash equivalents</b>	230,250	986,362
Cash and cash equivalents at 1 January	1,505,527	938,154
Exchange differences	(1,697)	1,123
Cash and cash equivalents at 30 June	1,734,080	1,925,639

# Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

## 1 General information

Midland Holdings Limited (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 Company and its subsidiaries (together, 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 of directors (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.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**2 Basis of preparation (continued)****(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
<b>Revenues from contracts with customers within the scope of HKFRS 15</b>		
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>
<b>Revenues from other sources</b>		
– 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>Total revenues</b>	<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.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 3 Revenues and segment information (continued)

#### (b) Segment information (continued)

	Six months ended 30 June 2022			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
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.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

## 3 Revenues and segment information (continued)

## (b) Segment information (continued)

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

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.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 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	2021
	HK\$'000	HK\$'000
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)
(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			Total
	Residential properties	Commercial and industrial properties and shops	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

## 3 Revenues and segment information (continued)

## (b) Segment information (continued)

	As at 31 December 2021			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
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 HK\$'000	As at 31 December 2021 HK\$'000
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

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 3 Revenues and segment information (continued)

#### (b) Segment information (continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

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

Geographical information:

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

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

### 4 Other income, net

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

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.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**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

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.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 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 profits 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 profits 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).

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**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 Property and equipment and investment properties**

Land and buildings with net book value of HK\$55,698,000 (as at 31 December 2021: HK\$56,251,000) and investment properties with net book value of HK\$44,390,000 (as at 31 December 2021: HK\$45,390,000) were pledged as securities for the Group's borrowing facilities.

The valuations of the investment properties as at 30 June 2022 and 31 December 2021 were undertaken by Midland Surveyors Limited, a qualified professional surveyor under the Group with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties in Hong Kong and Mainland China are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations.

As at 30 June 2022 and 31 December 2021, all investment properties are included in level 3 in the fair value hierarchy.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer. There were no changes to the valuation techniques and transfers among the fair value hierarchy during the period.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 9 Property and equipment and investment properties (continued)

Information about fair value measurements using significant unobservable inputs:

Location of investment properties	Fair value HK\$'000	Range of significant unobservable inputs	
		Prevailing market rent per month	Capitalisation rate
Hong Kong	44,390	HK\$35 to HK\$112 per sq. ft. (saleable) (31 December 2021: HK\$36 to HK\$113 per sq. ft. (saleable))	3.20% to 4.00% (31 December 2021: 3.20% to 4.00%)
Mainland China	28,000	RMB168 to RMB1,700 per sq. m. (gross) (31 December 2021: RMB169 to RMB1,750 per sq. m. (gross))	5.80% to 6.00% (31 December 2021: 5.80% to 6.10%)
Total	<u>72,390</u>		

Prevailing market rents are estimated based on qualified valuer's view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates are estimated by qualified valuer based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**10 Loan receivables**

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Loan receivables – loans to employees	2,024	2,881
Loan receivables – property mortgage loans	18,700	21,700
Total loan receivables	20,724	24,581
Less: non-current portion	(2,001)	(2,385)
Current portion	18,723	22,196

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.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 11 Trade and other receivables

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Trade receivables	2,894,575	3,607,354
Less: loss allowance	(147,176)	(165,900)
	<hr/>	<hr/>
Trade receivables, net	2,747,399	3,441,454
Other receivables, prepayments and deposits	358,958	362,087
	<hr/>	<hr/>
	<u>3,106,357</u>	<u>3,803,541</u>

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
	<hr/>	<hr/>
	<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.

Borrowing facilities granted to the Group were secured, inter alia, by floating charge over certain receivables of the Group, with carrying value of approximately HK\$2,634,176,000 as at 30 June 2022 (as at 31 December 2021: HK\$3,303,221,000).

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**12 Share capital**

	Number of issued shares (HK\$0.10 each)	Nominal value HK\$'000
At 1 January 2021	718,046,005	71,805
Cancellation of shares repurchased (note (a))	<u>(960,000)</u>	<u>(96)</u>
At 31 December 2021, 1 January 2022 and 30 June 2022	<u>717,086,005</u>	<u>71,709</u>

Note:

(a) Repurchase of shares

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.

**13 Trade and other payables**

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Commissions and rebate payables	2,609,563	3,257,129
Other payables and accruals	<u>292,906</u>	<u>337,410</u>
	<u>2,902,469</u>	<u>3,594,539</u>

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 management considers the balance of contract liabilities arising from immigration consultancy services is not material to the Group and hence not presented as a separate line item in the condensed consolidated balance sheet.

The Group's trade and other payables are mainly denominated in Hong Kong dollars and Renminbi.

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 14 Share-based benefits

In January 2020, 9,174,300 share options were granted to certain directors of the Company under the Company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of the Company. The share options granted will be vested 1 year after the date of grant. The vesting period of these options ends when they become exercisable. A consideration of HK\$1 from each of the grantees was received.

The fair value of each share option granted was estimated on the date of grant using the Binomial Model with the following assumptions:

Share price at date of grant	:	HK\$1.09
Exercise price	:	HK\$1.09
Option life	:	8 years
Expected volatility	:	33.77%
Expected dividend yield	:	0.48%
Risk-free rate	:	1.544%
Exercise multiple	:	2.8x

The expected volatility measured by using the historical volatility of the Company over the most recent period commensurate with the expected life of the share options.

Based on the above assumptions, the estimated fair value of each share option was HK\$0.2512. Any changes in the parameters may materially affect the estimation of the fair value of a share option.

For the six months ended 30 June 2021, the Group had recognised share-based payment expenses of HK\$101,000 in the condensed consolidated income statement (for the six months ended 30 June 2022: nil).

### 15 Fair value measurement of financial instruments

The financial instruments of the Group, including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, are measured in the condensed consolidated balance sheet at fair value, by level of the following fair value measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2022 and 31 December 2021, all instruments of the Group are included in level 2.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as quoted market prices or dealer quotes for similar instruments, or discounted cash flow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no transfers between levels 1, 2 and 3 during the six months ended 30 June 2022 (for the year ended 31 December 2021: nil).

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) *(continued)*

### 16 Capital commitments

The Group did not have any significant capital commitments as at 30 June 2022 and 31 December 2021.

### 17 Contingent liabilities

As at 30 June 2022, the Company executed corporate guarantees 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).

### 18 Significant related party transactions

The Group had the following significant transactions with related parties during the period and balances with related parties at the balance sheet date:

#### (a) Transactions with related parties

	Note	Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
Agency fee income from related companies	(i)	42,554	27,035
Rebate incentives to related companies	(ii)	(11,742)	(14,986)
License fee income from related companies	(iii)	751	1,189

#### Notes:

- (i) Agency fee income from related companies represents agency fee for property agency transactions referred to related companies on terms mutually agreed by both parties.
- (ii) Rebate incentives to related companies represents rebate incentives for property agency transactions referred by related companies on terms mutually agreed by both parties.
- (iii) License fee income from related companies represents license fee for the use of trademark by related companies on terms mutually agreed by both parties.

The related companies referred above represent subsidiaries of Legend Upstar Holdings Limited, formerly known as Midland IC&I Limited ("Legend Upstar"). Mr. WONG Kin Yip, Freddie ("Mr. WONG"), a director and substantial shareholder of the Company, is also a director and substantial shareholder of Legend Upstar.

During the six months ended 30 June 2022, the Group shared administrative and corporate services fee on a cost basis with an aggregate amount of HK\$7,156,000 with its related companies (for the six months ended 30 June 2021: HK\$8,126,000).

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

### 18 Significant related party transactions (continued)

- (b) During the six months ended 30 June 2022, the Group entered into a lease with a subsidiary of Legend Upstar on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK\$2,420,000 at the commencement date of the lease (for the six months ended 30 June 2021: HK\$2,428,000).

During the six months ended 30 June 2022, lease payments to certain subsidiaries of Legend Upstar under certain leases amounted to HK\$1,756,000 (for the six months ended 30 June 2021: HK\$1,768,000).

- (c) During the six months ended 30 June 2022, the Group entered into a lease with a company, of which Mr. WONG is the beneficial owner, on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK\$1,025,000 at the commencement date of the lease (for the six months ended 30 June 2021: HK\$1,033,000).

During the six months ended 30 June 2022, lease payments to certain companies, of which Mr. WONG is the beneficial owner, under certain leases amounted to HK\$2,697,000 (for the six months ended 30 June 2021: HK\$2,475,000).

- (d) **The balances with related parties included in trade and other receivables, trade and other payables and lease liabilities are as follows:**

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Trade and other receivables		
Amounts due from related companies (note (a))	59,437	27,859
Trade and other payables		
Amounts due to related companies (note (a))	(14,112)	(23,444)
Lease liabilities		
Amounts due to related companies (note (b))	(1,744)	(1,056)
Amounts due to other related parties (note (c))	(3,209)	(4,883)

## Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

**18 Significant related party transactions (continued)****(e) Key management compensation**

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Fees, salaries, allowances and incentives	13,244	25,024
Share-based benefits	–	101
Retirement benefit costs	27	27
	<u>13,271</u>	<u>25,152</u>

The amount represents emoluments paid or payable to the Executive Directors for the period.