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ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the “Board”) of Midland IC&I Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Revenues	3(a)	541,319	342,677
Other (loss)/income, net	4	(1,797)	1,183
Staff costs		(307,853)	(194,298)
Rebate incentives		(73,692)	(62,124)
Advertising and promotion expenses		(8,430)	(7,961)
Amortisation of right-of-use assets (lease)		(26,347)	(31,317)
Depreciation of property and equipment		(1,738)	(2,613)
Net impairment losses on financial assets		(7,321)	(14,774)
Other operating costs	5	(46,349)	(34,399)
Operating profit/(loss)		67,792	(3,626)
Bank interest income	6	249	6,049
Interest on bank loans	6	(3,129)	(3,168)
Interest on convertible note	6	(1,829)	(8,041)
Interest on lease liabilities	6	(476)	(763)
Profit/(loss) before taxation		62,607	(9,549)
Taxation	7	(12,723)	1,518
Profit/(loss) and total comprehensive profit/(loss) for the year		49,884	(8,031)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)*For the year ended 31 December 2021*

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Profit/(loss) and total comprehensive profit/(loss) attributable to:			
Equity holders		49,839	(7,275)
Non-controlling interests		45	(756)
		49,884	(8,031)
Earnings/(loss) per share	9	HK cents	HK cents
Basic		2.761	(0.403)
Diluted		2.690	(0.403)

CONSOLIDATED BALANCE SHEET*As at 31 December 2021*

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property and equipment		3,626	2,570
Right-of-use assets		26,361	20,168
Investment properties	<i>10</i>	974,200	813,600
Deposits		28,401	-
Loan receivables	<i>11</i>	10,000	-
Other financial assets at amortised cost		4,036	27,796
Deferred tax assets		6,349	10,755
		1,052,973	874,889
Current assets			
Trade and other receivables	<i>12</i>	142,271	116,617
Loan receivables	<i>11</i>	307,721	114,340
Other financial assets at amortised cost		2,337	17,235
Tax recoverable		2,146	6,386
Cash and cash equivalents		285,825	478,319
		740,300	732,897
Total assets		1,793,273	1,607,786
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves		205,297	155,458
		1,130,911	1,081,072
Non-controlling interests		6,953	6,908
Total equity		1,137,864	1,087,980

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 31 December 2021*

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		6,445	4,531
Lease liabilities		11,213	4,456
Bank loans	13	367,728	131,000
		<u>385,386</u>	<u>139,987</u>
		-----	-----
Current liabilities			
Trade and other payables	14	186,740	155,512
Amounts due to non-controlling interests	15	420	420
Lease liabilities		20,736	18,236
Bank loans	13	54,246	3,332
Tax payable		7,881	3,631
Convertible note	16	-	198,688
		<u>270,023</u>	<u>379,819</u>
		-----	-----
Total liabilities		<u>655,409</u>	<u>519,806</u>
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Total equity and liabilities		<u>1,793,273</u>	<u>1,607,786</u>
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company is a limited liability company incorporated in the Cayman Islands and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands 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 respect of commercial and industrial properties and shops, properties investment, credit business and securities investment in Hong Kong.

This audited consolidated annual results is presented in Hong Kong dollars, unless otherwise stated.

This audited consolidated annual results has been approved by the Board on 29 March 2022.

Significant event and transactions completed during the year

During the year, the Group has completed the acquisition of investment properties of HK\$163,291,000 (including transaction costs).

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and liability component of convertible note which are carried at fair values.

(a) New standards, interpretation and amendments effective in 2021

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

(b) New standards, interpretation 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 operation or financial position.

3 Revenues and segment information

(a) Revenues

	2021 HK\$'000	2020 HK\$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Agency fee	498,568	318,058
	-----	-----
Revenues from other sources		
Rental income	21,157	17,156
Interest income from credit business	19,706	5,784
Interest income from securities investment	1,888	1,679
	-----	-----
	42,751	24,619
	-----	-----
Total revenues	541,319	342,677
	=====	=====

(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 principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, properties investment, credit business and securities investment.

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2021						Total HK\$'000
	Property agency			Properties investment HK\$'000	Credit business HK\$'000	Securities investment HK\$'000	
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000				
Segment revenues	162,860	152,729	204,636	21,157	19,706	1,888	562,976
Inter-segment revenues	(6,141)	(7,456)	(8,060)	-	-	-	(21,657)
Revenues from external customers	156,719	145,273	196,576	21,157	19,706	1,888	541,319
Timing of revenue recognition							
- At a point in time	156,719	145,273	196,576	-	-	-	498,568
Rental income	-	-	-	21,157	-	-	21,157
Interest income	-	-	-	-	19,706	1,888	21,594
	156,719	145,273	196,576	21,157	19,706	1,888	541,319
Segment results	27,904	14,575	39,014	11,140	13,475	1,782	107,890
Fair value loss on investment properties	-	-	-	(2,691)	-	-	(2,691)
Amortisation of right-of- use assets (lease)	(10,274)	(6,650)	(9,423)	-	-	-	(26,347)
Depreciation of property and equipment	(112)	(608)	(767)	(65)	(6)	-	(1,558)
Net reversal of impairment/(impairment) losses) on financial assets	220	(3,572)	(3,969)	-	-	-	(7,321)
Additions to non-current assets	115	1,746	201	191,737	3	-	193,802

For the purpose of segmental information analysis, expenditures incurred for leases are not regarded as capital expenditures.

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2020						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	126,366	74,907	130,570	17,156	5,784	1,679	356,462
Inter-segment revenues	(5,392)	(4,060)	(4,333)	-	-	-	(13,785)
Revenues from external customers	120,974	70,847	126,237	17,156	5,784	1,679	342,677
Timing of revenue recognition							
- At a point in time	120,974	70,847	126,237	-	-	-	318,058
Rental income	-	-	-	17,156	-	-	17,156
Interest income	-	-	-	-	5,784	1,679	7,463
	120,974	70,847	126,237	17,156	5,784	1,679	342,677
Segment results	(4,026)	8,172	5,410	(14,696)	2,289	1,564	(1,287)
Fair value loss on investment properties	-	-	-	(25,100)	-	-	(25,100)
Amortisation of right-of-use assets (lease)	(13,623)	(6,734)	(10,960)	-	-	-	(31,317)
Depreciation of property and equipment	(106)	(295)	(1,813)	(60)	(1)	-	(2,275)
Net impairment losses on financial assets	(1,801)	(895)	(12,078)	-	-	-	(14,774)
Additions to non-current assets	14	507	66	30	1	-	618

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Fair value gain/(loss) on convertible note, government subsidy, corporate expenses, bank interest income, interest on bank loans, interest on convertible note and taxation are not included in the segment results.

Revenues between segments arose from transactions which are carried out on terms with reference to market practice. Revenues from external customers reported to the Executive Directors are measured in a manner consistent with that in the consolidated statement of comprehensive income. The revenue from external customers is the same as the total revenue per consolidated statement of comprehensive income.

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

A reconciliation of segment results to profit/(loss) before taxation is provided as follows:

	2021	2020
	HK\$'000	HK\$'000
Segment results for reportable segments	107,890	(1,287)
Fair value gain/(loss) on convertible note	517	(1,290)
Government subsidy	-	27,515
Corporate expenses	(41,091)	(29,327)
Bank interest income	249	6,049
Interest on bank loans	(3,129)	(3,168)
Interest on convertible note	(1,829)	(8,041)
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Profit/(loss) before taxation per consolidated statement of comprehensive income	62,607	(9,549)
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Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reportable segment:

	As at 31 December 2021						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	37,334	73,504	52,708	1,007,091	317,874	6,373	1,494,884
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Segment liabilities	38,309	80,696	60,329	19,855	3,824	259	203,272
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	As at 31 December 2020						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	56,748	29,499	44,139	817,100	121,654	45,326	1,114,466
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Segment liabilities	70,053	36,527	39,300	18,223	1,362	174	165,639
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3 Revenues and segment information (Continued)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2021 HK\$'000	2020 HK\$'000
Segment assets	1,494,884	1,114,466
Corporate assets	292,040	482,565
Deferred tax assets	6,349	10,755
	<u>1,793,273</u>	<u>1,607,786</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2021 HK\$'000	2020 HK\$'000
Segment liabilities	203,272	165,639
Corporate liabilities	445,692	349,636
Deferred tax liabilities	6,445	4,531
	<u>655,409</u>	<u>519,806</u>

4 Other (loss)/income, net

	2021 HK\$'000	2020 HK\$'000
Fair value loss on investment properties (note 10)	(2,691)	(25,100)
Fair value gain/(loss) on convertible note (note 16)	517	(1,290)
Gain on disposal of other financial assets at amortised cost	183	-
Government subsidy	-	27,515
Others	194	58
	<u>(1,797)</u>	<u>1,183</u>

For the year ended 31 December 2020, subsidy received under the Employment Support Scheme of HK\$27,515,000 was included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to these grants.

5 Other operating costs

	2021 HK\$'000	2020 HK\$'000
Office and branch operating expenses (remark)	15,367	12,322
Government rent and rates, building management fee (leased properties and investment properties)	5,900	6,269
Legal and professional fee	14,072	5,613
Trademark licensing fee	2,129	244
Insurance expenses	3,639	3,823
Bank charges	940	538
Auditor's remuneration		
- audit services	1,467	1,257
- interim results review	343	343
Others	2,492	3,990
Other operating costs	<u>46,349</u>	<u>34,399</u>

For the year ended 31 December 2021, direct operating expenses arising from investment properties that generated rental income were HK\$4,472,000 (2020: HK\$3,537,000), in which HK\$2,058,000 (2020: HK\$1,068,000) were included in other operating costs.

Remark: Office and branch operating expenses include utilities expenses, communication expenses, printing and stationery, transportation, and repair and maintenance.

6 Finance income and costs

	2021 HK\$'000	2020 HK\$'000
Finance income		
Bank interest income	249	6,049
Finance costs		
Interest on bank loans	(3,129)	(3,168)
Interest on convertible note (note 16)	(1,829)	(8,041)
Interest on lease liabilities	(476)	(763)
	<u>(5,434)</u>	<u>(11,972)</u>
Finance costs, net	<u>(5,185)</u>	<u>(5,923)</u>

7 Taxation

	2021 HK\$'000	2020 HK\$'000
Current		
Hong Kong profits tax	6,403	1,307
Deferred tax	6,320	(2,825)
	<u>12,723</u>	<u>(1,518)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year, except for one subsidiary of the Company which is a qualifying corporation under the two-tiered profits tax rate regime.

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

8 Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

9 Earnings/(loss) per share

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

	2021 HK\$'000	2020 HK\$'000
Profit/(loss) attributable to equity holders	49,839	(7,275)
Effect on conversion of convertible note	1,312	-
Profit/(loss) for calculation of diluted earnings/(loss) per share	<u>51,151</u>	<u>(7,275)</u>
Weighted average number of shares for calculation of basic earnings/(loss) per share (thousands)	1,805,283	1,805,283
Effect on conversion of convertible note (thousands)	96,486	-
Weighted average number of shares for calculation of diluted earnings/(loss) per share (thousands)	<u>1,901,769</u>	<u>1,805,283</u>
Basic earnings/(loss) per share (HK cents)	<u>2.761</u>	<u>(0.403)</u>
Diluted earnings/(loss) per share (HK cents)	<u>2.690</u>	<u>(0.403)</u>

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

9 Earnings/(loss) per share (Continued)

In calculating the diluted earnings/(loss) per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from the convertible note. The convertible note is assumed to have been converted into ordinary shares and the result is adjusted to eliminate the related expenses.

For the year ended 31 December 2020, no adjustment has been made to the loss attributable to equity holders and the weighted average number of shares as the exercise of convertible note would have an anti-dilutive effect.

10 Investment properties

	2021 HK\$'000	2020 HK\$'000
Opening net book amount	813,600	838,700
Additions	128,491	-
Addition of investment property through acquisition of a subsidiary	34,800	-
Change in fair value recognised in the consolidated statement of comprehensive income (note 4)	(2,691)	(25,100)
Closing net book amount	<u>974,200</u>	<u>813,600</u>

Investment properties of HK\$853,200,000 (2020: HK\$279,900,000) are pledged as security for the Group's bank loans (note 13).

11 Loan receivables

A maturity profile of the loan receivables as at the end of the reporting periods, based on the maturity date and net of provision, is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 1 year	307,721	114,340
After 1 year but within 2 years	10,000	-
	<u>317,721</u>	<u>114,340</u>

Loan receivables represent property mortgage loans granted to customers in Hong Kong.

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

12 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 the completion of or pursuant to the terms and conditions of the relevant agreements. The aging analysis of the trade receivables is as follows:

	2021 HK\$'000	2020 HK\$'000
Current (not yet due)	112,516	76,670
Less than 30 days past due	5,617	10,182
31 to 60 days past due	1,354	2,601
61 to 90 days past due	1,825	762
More than 90 days past due	2,360	643
	<u>123,672</u>	<u>90,858</u>

13 Bank loans

The Group's bank loans are repayable as follows:

	2021 HK\$'000	2020 HK\$'000
Secured bank loan with repayment on demand clause		
- repayable within 1 year	-	1,312
- repayable after 1 year but within 2 years	-	1,075
- repayable after 2 years but within 5 years	-	945
	<u>-</u>	<u>3,332</u>
Secured bank loans without repayment on demand clause		
- repayable within 1 year	54,246	-
- repayable after 1 year but within 2 years	14,246	-
- repayable after 2 years but within 5 years	353,482	131,000
	<u>421,974</u>	<u>131,000</u>
	<u>421,974</u>	<u>134,332</u>
Categorised as		
Current portion	54,246	3,332
Non-current portion	367,728	131,000
	<u>421,974</u>	<u>134,332</u>

As at 31 December 2020, the bank loan with outstanding balance of HK\$3,332,000 contains a repayment on demand clause and is classified as current liabilities. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Group's bank loans are denominated in Hong Kong dollars.

The bank loans are secured by investment properties of HK\$853,200,000 (2020: HK\$279,900,000) held by the Group (note 10) and corporate guarantee given by the Company.

13 Bank loans (Continued)

The Group has the following undrawn borrowing facilities:

	2021 HK\$'000	2020 HK\$'000
Floating rates		
Expiring within one year	65,000	65,000
Expiring within three years	40,000	-
	<u>105,000</u>	<u>65,000</u>

14 Trade and other payables

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$19,865,000 (2020: HK\$23,739,000) in respect of which the corresponding agency fees have been received and are due for payment within 30 days after year end, and all the remaining commissions and rebate payables are not yet due.

15 Amounts due to non-controlling interests

The amounts are unsecured, interest free and repayable on demand.

16 Convertible note

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due on 22 March 2021 (the "Maturity Date") to Mr. WONG Kin Yip, Freddie ("Mr. WONG"), in the aggregate principal amount of HK\$200 million as part of the consideration for the acquisition of a subsidiary. Mr. WONG is the director and substantial shareholder of the Company and the father of Ms. WONG Ching Yi, Angela and Mr. WONG Alexander Yiu Ming, the directors of the Company. The holder of the convertible note shall have the right to convert on or before the Maturity Date the whole or any part of the principal amount of the convertible note into fully paid ordinary shares of the Company with a par value of HK\$0.10 (after the effect of share consolidation) each at an initial conversion price of HK\$0.46 (after the effect of share consolidation) per ordinary share of the Company. Unless previously converted, purchased or cancelled, this note would be redeemed at its principal amount on the Maturity Date.

The convertible note contains two components, equity and liability components. Management adopted binomial model to determine the fair value of the convertible note as a whole on the date of issuance.

The management had used the discounted cash flows method to determine the fair value of the liability component at the reporting date.

The movement of the liability component of convertible note recognised in the consolidated balance sheet is set out below:

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	198,688	189,357
Interest expenses (note 6)	1,829	8,041
Fair value (gain)/loss (note 4)	(517)	1,290
Redemption	(200,000)	-
	<u>-</u>	<u>198,688</u>

The Company has fully redeemed the convertible note at its principal amount of HK\$200 million on the Maturity Date.

17 Event after the reporting period

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that for the year ended 31 December 2021, the Group recorded a profit attributable to equity holders of HK\$49,839,000 (2020: Loss attributable to equity holders of HK\$7,275,000).

The turnaround of the Group's results was attributable to, among other factors:

1. the substantial increase in operating profit of the Group's agency business for the year ended 31 December 2021 as compared with that in 2020. Following the implementation of a series of strategic initiatives, including restructuring of the management team, the Group was able to increase its market share and capture the rebound of the Hong Kong non-residential property market; and
2. the increase in operating profit of the Group's credit business for the year ended 31 December 2021 as compared with that in 2020.

Benefitting from the Hong Kong government's Employment Support Scheme, the Group received cash subsidy in 2020. Excluding the one-off grant, the financial results of the Group in the year of 2021 would have improved even more spectacularly from that of 2020.

Market Heated Up in the First Half of 2021 But Turned Sour in the Second Half

Owing to the restoration of the social order and the stabilization of the local pandemic in 2021, the confidence in the non-residential property market had once improved substantially. As the local economy grew, the rollout of the Consumption Voucher Scheme by the government during the reporting period provided strong boost to the local economy, revitalising the market demand for shops, offices and industrial properties.

According to the figures from the Land Registry, the registration volume of non-residential properties substantially increased by 62.4% in 2021, outgrowing that of residential properties. Bottom fishing by veteran investors, normalisation of the business environment, strong retail sales growth and expectations of border reopening attributed to the outstanding performance of shops, offices, and industrial properties during the reporting period.

Nevertheless, the segment of shops, offices and industrial premises slowed down significantly in the second half of 2021. According to the Group's tally, the registration volume of shops, offices, and industrial properties in the second half of 2021 fell by 13.0%, 16.6% and 8.5%, respectively, as compared with those in the first half of 2021. One of the main reasons for the market adjustment was the negative wealth effect resulting from the correction of the local equities market, especially for some popular stocks, as well as the wave of the mainland developers' debt defaults during the reporting period.

OUTLOOK

Uncertain and Challenging Market Outlook

The outbreak of the Omicron variant after Lunar New Year of 2022, with the daily rate of infection climbing exponentially, has cast shadow on Hong Kong's economy. Due to the highly infectious nature of the Omicron variant, the Hong Kong government has implemented the toughest social-distancing rules since the onset of the pandemic. Undoubtedly, the local economy and the property market have been significantly impacted. The market transaction activity in the first half of 2022 is expected to fall to an extremely low level. Fortunately, in the Budget announced on 23 February 2022, the Financial Secretary unveiled the plan this year to relaunch the Consumption Voucher Scheme to give consumption vouchers amounting to HK\$10,000 to each eligible Hong Kong citizen, a move which is believed to give a boost to the local retail market and subsequently drive the industrial premises, offices and shops market. The Group strongly believes that with the central government's support, Hong Kong will soon beat the fifth wave of COVID-19 outbreak. The Group is cautiously positive about the industrial premises, offices and shops market. It is believed that both sales activity and prices are likely to rebound once the pandemic is brought under control.

Among the three segments of the non-residential property market, the performance of retail shops is expected to stand out. While a lot of tenants are expected to ask for rental remission, the amount of rental remission to be offered is likely to be less as retail rents have already fallen considerably in the past two years. Although the reopening of the border is not in sight, Hong Kong people who would normally have travelled overseas can only stay put, which to a certain extent offset the impact of the sharp decline in tourist arrivals on the retail sector. Although the shop segment is expected to be weak in the first half of 2022, but once the recent wave of outbreak is contained, it is believed that the retail industry is likely to rebound, and both the rental and buy-and-sell markets will turn active again.

In relation to the industrial segments, investors may have to face the challenge of interest rate hikes. In 2021, the demand for industrial units was strong because its relatively low lump-sum suited the appetite of most of the investors. The Group expects that the outlook of the interest rate environment will not be as favourable as that of the past two years. The pandemic-related supply chain issues coupled with a series of monetary and fiscal stimulus measures have prompted inflation in the US to reach multi-year high, forcing the US Federal Reserve Board to raise interest rates this year. As the liquidity in Hong Kong is still very ample, the cost of borrowing may not increase as much as the US interest rate.

The office sector has lost steam as remote working has gained strength again amid the fifth wave of the outbreak. Although demand for office space may pick up once the pandemic improves, it would be difficult for this segment to return to the previous level. There are market reports about some multinational companies having relocated their senior staff members to other Asia regions because of Hong Kong's stringent approach in dealing with COVID-19. It is believed that it may take some time for the multinational companies to resume their expansion in Hong Kong.

Mainland Policy Proved Effective and Favourable to Hong Kong

As the global economy slowly recovers, issues in the global supply chain resulting from pandemic-related stress, coupled with a series of monetary and fiscal stimulus measures of various nations have prompted inflation in the US to reach a multi-year high, forcing the US Federal Reserve Board to raise interest rates in 2022. In mid-March of 2022, the US Federal Reserve Board raised interest rate by 0.25% and signaled more hikes to come. The sharp volatility of the Hong Kong stock market and the increase in COVID-19 cases in Mainland have also brought negative impacts on the property sector. In addition, the conflicts between Ukraine and Russia still continue to escalate despite the progress of ceasefire negotiations. Economic sanctions imposed on Russia by various nations might exacerbate the global supply chain crisis and further dampen market sentiment. While the global central banks are on the course of monetary tightening in 2022, the central government has begun to launch stimulus economic measures. In the past few months, the reserve ratio was lowered and the benchmark lending rate was cut. If the central government's policies on loan and gearing ratio are switched to accommodative, the Hong Kong property market will also be benefitted. In addition, the support of the central government on the local capital market is also favourable to the long term development of the Hong Kong economy and property sector. At the same time, it is believed that the Hong Kong government will continue to roll out economic relief measures. As such, the Group still remains positive about the outlook of the industry.

Develop Business Steadily, Seize Investment Opportunities

During the reporting period, rental income from the Group's property investment portfolio increased as all the units at LMK Development Estate held by the Group have been leased out, and there were rental contributions from the shops acquired by the Group during the reporting period. During the reporting period, the Group acquired 7 shops and the acquisitions of 5 of which were completed in the second half of 2021. The Group is closely monitoring how the fifth wave of the outbreak will affect its income. The Group expanded its property investment portfolio through acquiring a series of shops in 2021 and will continue to do so when opportunities arise. Legend Credit, the Group's money lending unit, is expected to register steady growth in profit and loan size.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2021, the Group had cash and cash equivalents of HK\$285,825,000 (2020: HK\$478,319,000) and bonds investment of HK\$6,373,000 (2020: HK\$45,031,000), whilst bank loans amounted to HK\$421,974,000 (2020: HK\$134,332,000).

The maturity profile of the Group's borrowings is set out as follows:

	2021	2020
	HK\$'000	HK\$'000
Secured bank loan with repayment on demand clause (<i>note</i>)		
- repayable within 1 year	-	1,312
- repayable after 1 year but within 2 years	-	1,075
- repayable after 2 years but within 5 years	-	945
	<u>-</u>	<u>3,332</u>
	-----	-----
Secured bank loans without repayment on demand clause		
- repayable within 1 year	54,246	-
- repayable after 1 year but within 2 years	14,246	-
- repayable after 2 years but within 5 years	353,482	131,000
	<u>421,974</u>	<u>131,000</u>
	-----	-----
	<u>421,974</u>	<u>134,332</u>
	=====	=====
Convertible note		
- repayable within 1 year	-	198,688
	<u>-</u>	<u>198,688</u>
	=====	=====

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Group's bank loans were secured by certain investment properties held by the Group of HK\$853,200,000 (2020: HK\$279,900,000). As at 31 December 2021, the Group had unutilised borrowing facilities amounting to HK\$105,000,000 (2020: HK\$65,000,000) from banks. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loans are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

During the year, the Company has fully redeemed the convertible note at its principal amount of HK\$200 million.

As at 31 December 2021, the gearing ratio of the Group was 37.1% (2020: 30.6%). The gearing ratio is calculated on the basis of the Group's total bank loans and convertible note over total equity of the Group.

The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 2.7 (2020: 1.9). The return on equity of the Group, which is the ratio of profit/(loss) for the year over total equity was 4.4% (2020: -0.7%).

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its available cash so as to generate investment return to enhance the Group's financial position. The criteria for selection of investments will include (i) the risk profile involved and not speculative in nature; (ii) the liquidity of an investment; (iii) the after tax equivalent yield of an investment; and (iv) structured products are prohibited. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities with good credit quality. Investment in fixed income products are structured in different maturity profile to cater for ongoing business development. As at 31 December 2021, the Group has short term bank deposits of HK\$72,715,000 (2020: HK\$349,844,000) and bonds investment of HK\$6,373,000 (2020: HK\$45,031,000).

The Group's income and monetary assets and liabilities are mainly denominated in Hong Kong dollars. The directors of the Company (the "Directors") consider that the foreign exchange exposure of the Group is minimal.

Acquisition of properties

(i) Acquisitions completed during the reporting period

During the period from May to July 2021, the Group entered into several properties acquisition agreements (the "Properties Acquisition Agreements") and a target company acquisition agreement (the "Target Company Acquisition Agreement").

Pursuant to the Properties Acquisition Agreements, the Group has agreed to acquire 4 shops in Hong Kong with total consideration of HK\$122.1 million. These transactions were completed during the period from August to October 2021.

Details of the acquisitions were set out in the Company's announcements dated 7 May 2021, 14 May 2021, 9 June 2021 and 7 July 2021.

Pursuant to the Target Company Acquisition Agreement, the Group has agreed to acquire the entire issued shares (and including the assignment of sale debt) of the target company at a consideration of HK\$34.8 million. The principal asset of the target company is a shop in Hong Kong. This transaction was completed in September 2021.

Details of the acquisition were set out in the Company's announcement dated 13 May 2021.

(ii) Acquisitions completed/to be completed after the reporting period

During the period from August to December 2021, the Group has further entered into a property acquisition agreement (the "New Property Acquisition Agreement") and a target company acquisition agreement (the "New Target Company Acquisition Agreement").

Pursuant to the New Property Acquisition Agreement, the Group has agreed to acquire a shop in Hong Kong at a consideration of HK\$25.9 million. This transaction has been completed in January 2022.

Pursuant to the New Target Company Acquisition Agreement, the Group has agreed to acquire the entire issued shares (and including the assignment of sale debt) of the target company at a consideration of HK\$48.8 million. The principal asset of the target company is a shop in Hong Kong. This transaction is to be completed in April 2022.

Details of the acquisitions were set out in the Company's announcements dated 18 August 2021, 2 December 2021 and 17 December 2021.

All the above properties are leased/intended to be leased out for rental income. The Group settled/intend to settle the above acquisitions using internal resources and/or external financing of the Group.

The financial position of the Group remains solid and healthy. The above acquisitions allow the Group to further broaden the income source and allow the Group to enjoy the possible capital appreciation of the properties.

With committed banking facilities in place, continuous cash inflow from property agency business and a solid base of recurrent income, the Directors are of the view that there are sufficient financial resources to satisfy the Group's capital commitments and on-going working capital requirements.

Information on the Group's loan portfolio and money lending business

As at 31 December 2021, the outstanding loan receivable was HK\$317.7 million (2020: HK\$114.3 million). The outstanding loan balance involved 41 cases (2020: 21 cases) with different borrowers. The single largest loan granted was HK\$55.0 million (representing approximately 17% of the outstanding loan portfolio as a whole) which was secured by a first mortgage over a residential property located at a prime location with a loan to value ratio of 74%. Amongst the outstanding loan portfolio, over 97% was secured by first mortgage over residential and non-residential properties, with an overall loan to value ratio of 60%. No impairment loss on loan was made during the year under review.

The credit business of the Group is operated by Legend Credit Limited ("Legend Credit"), the Group's money lending unit. Such credit business provides a stable revenue and cashflow to the Group.

All loans advanced by Legend Credit are subject to approval on a case-by-case basis by a credit committee, which comprises members of the senior management who possess expertise in the property and financing fields. The credit assessment is based on the financial strength and repayment ability of the borrower, the collateral provided, prevailing market and competitive conditions and interest rate environment.

Interest rates on loans are offered based on the assessed degree of credit risks, loan period, loan amount, availability of funds, and any other relevant business relationships with the borrower.

The Group manages its loan portfolio to minimize concentration by the relationship between borrowers to maintain a diversified client base and lessen credit risk exposures. Legend Credit's collection team will conduct periodic review of its portfolio to monitor risks of default.

Contingent Liabilities

As at 31 December 2021, the Company executed corporate guarantee amounting to HK\$527,650,000 (2020: HK\$210,780,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 31 December 2021, banking facilities of HK\$421,974,000 (2020: HK\$134,332,000) were utilised by these subsidiaries.

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. Among which, a trial of a case with a claim of HK\$120,600,000 will commence on 16 May 2022. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the consolidated financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

Employee information

As at 31 December 2021, the Group employed 659 full-time employees (2020: 570).

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, incentives tied in with profits and share options may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits. In respect of staff development, both in-house and external training and development programmes are conducted on a regular basis.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions that were in force as set out in the Corporate Governance Code stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2021.

On 6 May 2021, Mr. YING Wing Cheung, William resigned as an Independent Non-Executive Director, and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Accordingly, the respective number of Independent Non-Executive Directors and Audit Committee members of the Company fell below the required minimum number under Rules 3.10(1) and 3.21 of the Listing Rules. On 1 July 2021, the Company announced the appointment of Mr. WONG Chung Kwong as an Independent Non-Executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Following the aforesaid appointment, the Company has fulfilled the requirement of the respective minimum number of Independent Non-Executive Directors and Audit Committee members under the Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions at all applicable times during the year ended 31 December 2021.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2021.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2021. The figures in this announcement of the Group’s results for the year ended 31 December 2021 have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF 2021 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandici.com.hk). The 2021 Annual Report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to express our heartfelt gratitude to our shareholders and customers for their continued support, and to our management and staff for their hard work in the past year. I hope we will continue to help each other and ride out this difficult time together, and to lead the Group towards a bright future.

By Order of the Board
Midland IC&I Limited
WONG Ching Yi, Angela
Executive Director

Hong Kong, 29 March 2022

As at the date of this announcement, the Board comprises eight Directors, of which four are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. LO Chin Ho, Tony and Mr. WONG Alexander Yiu Ming; and four are Independent Non-Executive Directors, namely Mr. SHA Pau, Eric, Mr. HO Kwan Tat, Ted, Mr. WONG Chung Kwong and Mr. LI Wai Keung.