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## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “Board”) of Midland Holdings Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022 together with the comparative figures as follows:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenues	3 (a)	<b>3,115,143</b>	6,001,432
Other income, net	4	<b>13,598</b>	12,227
Staff costs		<b>(1,872,619)</b>	(2,897,781)
Rebate incentives		<b>(759,466)</b>	(1,803,924)
Advertising and promotion expenses		<b>(117,043)</b>	(115,942)
Operating lease charges in respect of office and shop premises		<b>(44,310)</b>	(54,722)
Amortisation of right-of-use assets		<b>(597,709)</b>	(575,928)
Depreciation of property and equipment		<b>(53,467)</b>	(52,687)
Net reversal of impairment/(impairment losses) on financial assets		<b>5,611</b>	(79,761)
Other operating costs	5	<b>(262,313)</b>	(281,956)
Operating (loss)/profit		<b>(572,575)</b>	150,958
Bank interest income		<b>176</b>	206
Interest on bank loans, overdrafts and other borrowings		<b>(14,355)</b>	(12,868)
Interest on lease liabilities		<b>(18,997)</b>	(17,205)
Share of results of joint ventures		<b>16,950</b>	22,915
(Loss)/profit before taxation		<b>(588,801)</b>	144,006
Taxation	6	<b>54,830</b>	(43,793)
(Loss)/profit for the year attributable to equity holders		<b>(533,971)</b>	100,213
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share	8		
Basic		<b>(74.46)</b>	13.96
Diluted		<b>(74.46)</b>	13.95

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit for the year attributable to equity holders	<b>(533,971)</b>	100,213
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss</i>		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income	<b>(175)</b>	723
Remeasurement of post-employment benefit obligation	<b>26,386</b>	-
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<b>5,812</b>	(2,879)
Other comprehensive income/(loss) for the year, net of tax	<b>32,023</b>	(2,156)
Total comprehensive (loss)/income for the year attributable to equity holders, net of tax	<b>(501,948)</b>	98,057

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2022**

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		<b>154,632</b>	161,902
Right-of-use assets		<b>496,144</b>	726,498
Investment properties		<b>50,718</b>	75,341
Interests in joint ventures		<b>14,330</b>	41,158
Financial assets at fair value through other comprehensive income		<b>988</b>	2,038
Financial assets at fair value through profit or loss		<b>10,110</b>	-
Deferred tax assets		<b>72,846</b>	11,731
Loan receivables	9	<b>2,970</b>	2,385
		<b>802,738</b>	1,021,053
<b>Current assets</b>			
Trade and other receivables	10	<b>2,551,317</b>	3,803,541
Taxation recoverable		<b>121</b>	410
Loan receivables	9	<b>16,712</b>	22,196
Cash and cash equivalents		<b>450,666</b>	1,505,527
Assets held for sales		<b>3,862</b>	-
		<b>3,022,678</b>	5,331,674
<b>Total assets</b>		<b>3,825,416</b>	6,352,727

**CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2022**

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital		71,709	71,709
Share premium		222,235	222,235
Reserves		390,304	892,252
		<hr/>	<hr/>
<b>Total equity</b>		<b>684,248</b>	1,186,196
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Other payables and accruals		44,088	-
Borrowings		173,636	-
Deferred tax liabilities		9,203	8,948
Lease liabilities		144,669	313,418
		<hr/>	<hr/>
		<b>371,596</b>	322,366
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	2,316,819	3,594,539
Borrowings		54,600	687,000
Lease liabilities		395,356	533,315
Taxation payable		2,797	29,311
		<hr/>	<hr/>
		<b>2,769,572</b>	4,844,165
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>3,141,168</b>	5,166,531
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>3,825,416</b>	6,352,727
		<hr/>	<hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

The Company is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group are the provision of property agency services in Hong Kong, Mainland China and Macau, property leasing, immigration consultancy services and money lending services.

### 2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by (i) the revaluation of investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at fair values; and (ii) the assets held for sales which is carried at the lower of carrying amount and fair value less cost to sell.

#### (a) New standards, interpretation and amendments effective in 2022

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

#### (b) New standards, interpretation and amendments which are not yet effective

The Group has not early applied the new or revised standards, interpretation and amendments that have been issued but not yet effective. The adoption of these new or revised standards, interpretation and amendments is not expected to have a material impact on the Group’s results of operations or financial position.

### 3 Revenues and segment information

#### (a) Revenues

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenues from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
- Agency fee	3,095,311	5,976,276
- Immigration consultancy services	9,198	12,117
- Web advertising	1,466	1,048
- Other services	4,671	3,413
	<u>3,110,646</u>	<u>5,992,854</u>
<b>Revenues from other sources</b>		
- Rental income	2,426	3,138
- Interest income from loan receivables	2,071	5,440
	<u>3,115,143</u>	<u>6,001,432</u>

#### (b) Segment information

The chief operating decision-makers have been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. The Executive Directors determine the operating segments based on these reports.

The Executive Directors assess the performance based on the nature of the Group's businesses comprising the property agency businesses for residential, commercial and industrial properties and shops, and other businesses which mainly include property leasing, immigration consultancy services, money lending services and mortgage referral services. The Group's businesses are principally located in Hong Kong, Mainland China and Macau.

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Year ended 31 December 2022			
	Property agency			
	Residential properties <i>HK\$'000</i>	Commercial and industrial properties and shops <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenues	3,060,654	34,657	27,500	3,122,811
Inter-segment revenues	-	-	(7,668)	(7,668)
Revenues from external customers	<u>3,060,654</u>	<u>34,657</u>	<u>19,832</u>	<u>3,115,143</u>
Timing of revenue recognition				
- At a point in time	3,060,654	34,657	4,671	3,099,982
- Over time	-	-	10,664	10,664
Rental income	-	-	2,426	2,426
Interest income from loan receivables	-	-	2,071	2,071
	<u>3,060,654</u>	<u>34,657</u>	<u>19,832</u>	<u>3,115,143</u>
Segment results	<u>(539,755)</u>	<u>(16,272)</u>	<u>9,636</u>	<u>(546,391)</u>
Amortisation of right-of-use assets	(595,351)	(2,358)	-	(597,709)
Depreciation of property and equipment	(51,021)	(1,243)	(738)	(53,002)
Net reversal of impairment/(impairment losses) on financial assets	3,489	2,174	(52)	5,611
Share of results of joint ventures	-	-	16,950	16,950
Fair value losses on investment properties	-	-	(8,755)	(8,755)
Impairment losses on right-of-use assets, net of reversals	(18,554)	(1,634)	-	(20,188)
Impairment losses on property and equipment	(3,807)	(618)	-	(4,425)
Additions to property and equipment	<u>55,591</u>	<u>1,735</u>	<u>19</u>	<u>57,345</u>

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 2021			
	Property agency			
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenues	5,879,786	96,490	32,824	6,009,100
Inter-segment revenues	-	-	(7,668)	(7,668)
Revenues from external customers	<u>5,879,786</u>	<u>96,490</u>	<u>25,156</u>	<u>6,001,432</u>
Timing of revenue recognition				
- At a point in time	5,879,786	96,490	3,413	5,979,689
- Over time	-	-	13,165	13,165
Rental income	-	-	3,138	3,138
Interest income from loan receivables	-	-	5,440	5,440
	<u>5,879,786</u>	<u>96,490</u>	<u>25,156</u>	<u>6,001,432</u>
Segment results	<u>186,036</u>	<u>(14,764)</u>	<u>31,926</u>	<u>203,198</u>
Amortisation of right-of-use assets	(573,141)	(2,787)	-	(575,928)
Depreciation of property and equipment	(50,253)	(1,233)	(737)	(52,223)
Net impairment losses on financial assets	(67,546)	(12,215)	-	(79,761)
Share of results of joint ventures	-	-	22,915	22,915
Fair value gains on investment properties	-	-	919	919
Impairment losses on right-of-use assets, net of reversals	(16,658)	(5,191)	-	(21,849)
Impairment losses on property and equipment	(3,566)	(1,138)	-	(4,704)
Additions to property and equipment	<u>63,318</u>	<u>1,985</u>	<u>38</u>	<u>65,341</u>

Note: The share of results and interests in joint ventures mainly represent the financial information of mReferral Corporation Limited and its subsidiaries that are material to the Group.

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, government subsidy, bank interest income, interest on bank loans, overdrafts and other borrowings and taxation are not included in the segment results.

Revenues between segments arose from transactions which are carried out on terms with reference to market practice. Revenues from external customers reported to the Executive Directors are measured in a manner consistent with that in the consolidated income statement.

### 3 Revenues and segment information (continued)

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment results for reportable segments	(546,391)	203,198
Corporate expenses	(40,183)	(46,530)
Government subsidy	11,952	-
Bank interest income	176	206
Interest on bank loans, overdrafts and other borrowings	(14,355)	(12,868)
	<u>(588,801)</u>	<u>144,006</u>
(Loss)/profit before taxation per consolidated income statement	<u>(588,801)</u>	<u>144,006</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. Sets out below is an analysis of assets and liabilities by reporting segments:

	As at 31 December 2022			
	<u>Property agency</u>			
	Residential properties <i>HK\$'000</i>	Commercial and industrial properties and shops <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>3,177,458</u>	<u>17,604</u>	<u>104,645</u>	<u>3,299,707</u>
Segment assets include:				
Interests in joint ventures	<u>-</u>	<u>-</u>	<u>14,330</u>	<u>14,330</u>
Segment liabilities	<u>2,849,114</u>	<u>29,310</u>	<u>16,956</u>	<u>2,895,380</u>

### 3 Revenues and segment information (continued)

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

	As at 31 December 2021			
	Property agency			
	Residential properties <i>HK\$ '000</i>	Commercial and industrial properties and shops <i>HK\$ '000</i>	Others <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Segment 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:

	2022 <i>HK\$ '000</i>	2021 <i>HK\$ '000</i>
Segment assets	3,299,707	5,537,909
Corporate assets	441,765	801,049
Deferred tax assets	72,846	11,731
Financial assets at fair value through profit or loss	10,110	-
Financial assets at fair value through other comprehensive income	988	2,038
Total assets per consolidated balance sheet	<u>3,825,416</u>	<u>6,352,727</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2022 <i>HK\$ '000</i>	2021 <i>HK\$ '000</i>
Segment liabilities	2,895,380	4,455,860
Corporate liabilities	236,585	701,723
Deferred tax liabilities	9,203	8,948
Total liabilities per consolidated balance sheet	<u>3,141,168</u>	<u>5,166,531</u>

### 3 Revenues and segment information (continued)

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

Geographical information:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenues from external customers		
Hong Kong and Macau	2,824,672	5,348,828
Mainland China	290,471	652,604
	<u>3,115,143</u>	<u>6,001,432</u>

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

#### 4 Other income, net

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fair value (losses)/gains on investment properties	(8,755)	919
Fair value changes on financial assets at fair value through profit or loss	(1,574)	-
Government subsidy	11,952	-
Others	11,975	11,308
	<u>13,598</u>	<u>12,227</u>

Subsidy received under the Employment Support Scheme during the year ended 31 December 2022 of HK\$11,952,000 were included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to the grants.



## 6 Taxation

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	5,943	43,161
Overseas	87	(836)
Deferred taxation	<u>(60,860)</u>	<u>1,468</u>
	<u><u>(54,830)</u></u>	<u><u>43,793</u></u>

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

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated at the same basis in 2021.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

## 7 Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

## 8 (Loss)/earnings per share

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/profit attributable to equity holders for the calculation of basic and diluted (loss)/earnings per share	<u><b>(533,971)</b></u>	<u>100,213</u>
Weighted average number of shares for the calculation of basic (loss)/earnings per share (thousands)	<b>717,086</b>	717,801
Effect on conversion of share options (thousands)	<u>-</u>	<u>661</u>
Weighted average number of shares for the calculation of diluted (loss)/earnings per share (thousands)	<u><b>717,086</b></u>	<u>718,462</u>
Basic (loss)/earnings per share (HK cents)	<u><b>(74.46)</b></u>	<u>13.96</u>
Diluted (loss)/earnings per share (HK cents)	<u><b>(74.46)</b></u>	<u>13.95</u>

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 year.

For the year ended 31 December 2022, the diluted loss per share is the same as the basic loss per share as the exercise of share options of the Company would have an anti-dilutive effect.

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

## 9 Loan receivables

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

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	<b>16,712</b>	22,196
Over 1 year but less than 2 years	<b>310</b>	965
Over 2 years but less than 3 years	<b>2,660</b>	1,137
Over 3 years	<u>-</u>	<u>283</u>
	<u><b>19,682</b></u>	<u>24,581</u>

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

## 10 Trade and other receivables

Trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon the completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current (not yet due)	2,129,083	3,332,559
Less than 30 days past due	40,906	45,251
31 to 60 days past due	17,377	16,615
61 to 90 days past due	15,759	11,912
More than 90 days past due	73,826	35,117
	<u>2,276,951</u>	<u>3,441,454</u>

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

## 11 Trade and other payables

Commissions and rebate payables to property consultants, co-operative estate agents and property buyers are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$247,949,000 (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 year end. All the remaining commissions and rebate payables are not yet due.

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

## 12 Event after the reporting period

### *Disposal of a property*

On 20 March 2023, a subsidiary of the Company entered into a provisional agreement to sell a property in Hong Kong at a consideration of HK\$22,800,000. As at 31 December 2022, the property was included in property and equipment in the consolidated balance sheet.

This transaction shall be completed in May 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group announces that for the year ended 31 December 2022, it recorded a revenue of approximately HK\$3,115 million, representing a 48% decrease as compared with that for the year ended 31 December 2021. Loss attributable to equity holders for the year ended 31 December 2022 amounted to approximately HK\$534 million (2021: Profit attributable to equity holders of approximately HK\$100 million).

Such net loss was mainly attributable to:

- (1) a significant decline in the transaction volume of residential property sales in Hong Kong of around 40%, a new low in 27 years since 1996. Such decline was caused by multiple negative factors including (i) COVID-related restrictions and measures in Hong Kong; (ii) interest rate hikes; (iii) slowdown in sales launch of first-hand properties and the transaction volume of new residential units dropped nearly 40% year-on-year; (iv) poor investment sentiment; and (v) prolonged closing of the border between Hong Kong and Mainland China;
- (2) despite the Group's best efforts, limited rental concessions granted by the landlords; and
- (3) business in Mainland China suffered from poor market conditions in view of the lockdowns and other COVID-related measures and the loss of buyers' confidence in the presale of uncompleted properties.

### Sluggish Property Market During the Reporting Period

During the reporting period, the Hong Kong property market was plagued by a series of negative factors, causing the property prices to fall steadily. Property prices at the end of December 2022 dropped 17% as compared with that in August 2021. It was the fifth Hong Kong property market correction in recent years and the longest one. However, the extent of the consolidation was not particularly severe given the grim internal and external environments. Developers slowed down the pace of new launches since the second half of 2022, so that the number of new home transactions dropped considerably. According to the figures from the Land Registry, the new home transaction volume in 2022 was only 10,315 units, the lowest in almost two decades. The secondary home market was also sluggish, with its transaction volume dropping around 39% on a yearly basis. Since the developers did not cut prices to boost sales, while the majority of property owners were in a healthy financial position, property prices did not fall off the cliff. Furthermore, as the government eased the COVID-related restrictive measures in May 2022 and relaxed the mortgage insurance programme in the second quarter, market sentiments once improved slightly. However, when the US Federal Reserve started the supersized interest rate hike in June 2022, the market turned sour again. Despite the progressive relaxation of the COVID-related restrictive measures, Hong Kong lagged behind other major financial centres in restoring normalcy, further dampening the confidence of the local business community.

### Double Whammy: Weak Property Market and Surging Costs

In 2022, the Hong Kong property market was hit hard, with the number of residential property transactions dropping rapidly and significantly by nearly 40% year-on-year, while the Group's rental expenses remained high. Despite the Group's all-out effort in asking landlords for rental concessions, the amount of savings was limited. Facing this tough operating environment, the Group reduced its operating costs through various initiatives and strived to elevate its market position. In the second half of 2022, the Group made adjustments to the size of its payroll and the scale of its branch network so as to further improve the operation efficiency. Staff expenses were consequently reduced during the reporting period. Although the market was filled with challenges, the Group's frontline staff continually strived to deliver quality service. During the reporting period, Midland Realty, the Group's flagship business unit, continued to gain market share in the primary home market of certain strategic locations while the other business unit under the brand name "Hong Kong Property" secured exclusive rights to sell in some new projects and achieved good results.

The business environment of the Group's operations in Mainland China was particularly harsh. In 2022, affected by unfavorable factors such as Mainland China's implementation of stringent COVID-related measures, coupled with concerns about the unfinished primary projects and the gloomy economic outlook, the mainland property market was devastated. Yet, the management of the Group constantly improved the mainland operations and took big steps to restructure its mainland business.

The Group kickstarted the digital reform in 2016 which bore fruitful results. During the reporting period, both the number of VR (virtual reality) tour videos and property listing videos reached a historic high, and the promotional efficiency of digital advertising even increased fivefold. At the same time, the Group has been selected among the top ten constituent companies of the 2021-2022 Corporate Innovation Index compiled by the CUHK Business School. The Group is the only property agent company in the Index, which is undoubtedly a vote of confidence for the Group's platform innovation journey.

## **OUTLOOK**

### **Mainland Economy is Expected to Post Strong Growth**

The gross domestic product (GDP) of Mainland China grew by 2.9% in the fourth quarter of 2022, down from 3.9% growth in the third quarter, but above market expectations. As most COVID-related control measures in Mainland China have been relaxed since December 2022, the market consensus is that Mainland's economy will stage a very strong rebound in 2023. The then Vice-Premier Liu He, speaking at the World Economic Forum in Davos of Switzerland, said in January 2023 that Mainland China is returning to normality faster than expected and projected a rosy picture for this year. The Group therefore expects that Hong Kong's business activities will benefit from the anticipated strong recovery of the Mainland's economy.

### **Size of Interest Rate Hikes May Shrink**

In 2022, inflation raged worldwide, prompting central banks to raise interest rate, while wage expenses were at risk of surging when inflation began to rise. Currently, there are signs that inflation pressures could be weakening. Jerome Powell, the chairman of the US Federal Reserve, said in February 2023 that inflation was slowing down. Despite several supersized interest rate hikes, the US Federal Reserve still considered that the rate of deceleration of inflation was below its target level. Meanwhile, some of the causes of inflation, such as the Russia-Ukraine Conflict, would be unlikely to disappear any time soon. Therefore, the market expects the US to continue to raise interest rates this year, but as European and American banks have fallen into crisis in the same time, the scale is believed to be more moderately than before.

### **Hong Kong Economic Revival on the Cards**

After some twists and turns, the government finally abandoned all COVID-related restrictions on inbound travellers in December 2022, including no daily quota on the number of inbound travellers and not requiring travellers to provide negative PCR test reports. Huge increase in the number of business trip and tour groups is expected. Some expats who left Hong Kong in the last two years may plan to come back, which is likely to help the local economic growth. The economies of Hong Kong and Mainland China have always been highly integrated. As Mainland China gradually returns to normalcy, a lot of international conferences and exhibitions are expected to be held in Hong Kong again. Revival of the Hong Kong economy can be expected in 2023.

### **Government Took the Initiative to Seek Talents and Business Opportunities**

To shore up the Hong Kong economy, the government has shown strong determination in attracting talents to come. For one thing, it has launched a new programme called the "Top Talent Pass Scheme" to recruit talents with annual salary reaching HK\$2.5 million or with a bachelor degree from the world's top 100 universities. For another, the government has also relaxed the conditions of some other talent recruitment schemes. Furthermore, the government is going to restart the "Capital Investment Entrant Scheme" and implement new policies to allow eligible talents from outside Hong Kong to, upon becoming permanent residents in Hong Kong, apply for a refund of the extra stamp duty paid for purchasing residential property locally. Such policies will not only help Hong Kong replenish the talent pool but also provide new stimulus to the local economy, employment market, education industry and property sector.

In addition, the government launched in February 2023 the “Hello Hong Kong” Campaign, an initiative to welcome visitors from all around the world through giving away 500,000 air tickets and over a million “Hong Kong Goodies” visitor consumption vouchers. In the meantime, the Chief Executive, John Lee, has led a 30-member delegation of senior officials and business leaders to visit the Middle East. During this trip, Hong Kong and Saudi Arabia signed 6 bilateral deals to forge closer economic ties. Indeed, the government has also invited Saudi Arabian oil giant Aramco and its subsidiaries to invest and list in Hong Kong. If the listing takes place, Hong Kong will further elevate and solidify its status as an international financial centre.

### **Property Market Has Shown Signs of Recovery**

Despite the lingering market risks such as interest rate hikes and geopolitical tensions, as the macro and micro economic conditions have improved, market sentiment has warmed, and property sales activities have increased. In the beginning of 2023, transaction volume of the new home properties rose for three months in a row. Since developers slowed down the pace of new launches in 2022, it is reasonable to expect that they will put more projects on the market in 2023, while the secondary home market has turned active as well. Home prices are believed to have bottomed out and picked up slightly after the border reopening. Coupled with the government reducing the ad valorem stamp duty for small and mid-sized residential properties, the Group expects home sales activities in 2023 to be higher than that of 2022. However, the overall economy and property market may need some time to recover back to the pre-pandemic level.

### **Proactively Move with the Times to Establish a Holistic Sales Platform**

Midland Realty was established in 1973. This year marks the 50th anniversary of its establishment. To match customers’ ever-evolving needs, apart from the core estate agency business, the Group has further expanded the scope of its business to include mortgage referral services, immigration consultancy services, education consultancy services, international property agency services and financial services. These property-related businesses can help strengthen the Group’s core business. Also, the synergy among business units can be enhanced. For example, after the Group’s immigration division helping the mainland elites set foot in Hong Kong, the education division of the Group can provide professional advice on studying in Hong Kong or abroad for their children. Then, these clients may choose to use the Group’s estate agency services in buying or renting properties. And these comprehensive services can bring multiple benefits to the Group. In the near future, the Group will devise more business initiatives to boost cooperation among various business units and the synergy will offer comprehensive one-stop professional service. And the Group also plans to increase the recruitment of more New Hong Kongers so as to meet with the demand of the mainland clients.

### **Understanding Customers’ Preference to Match Their Demands**

As large infrastructure projects such as the South Island line, the Tuen Ma line, the extension of the East Rail Line, and the Tseung Kwan O Cross Bay Link were completed, Hong Kong’s infrastructure has been improved substantially. The mobility of the local home seekers is expected to grow continuously. Thus, the closing of some branches in the second half of 2022 was not just a cost-saving exercise, but also a strategic move. The Group believes that the three-year pandemic, the improvements in the transportation system and the two rounds of mortgage requirements loosening have reshaped the landscape of the property market. The Group will keep reviewing the branch locations to further match its customers’ demands and capture business opportunities. In addition, the Group will further encourage cross-district referrals by gearing up the sales training and internal communications. The Group has been using big data analysis to understand customers’ preferences while enhancing its online offerings and adding new features to its digital platform to enrich customers’ experience. Meantime, the Group will strive to train the sales force to be tech savvy. Deeply rooted in Hong Kong for decades, Midland Realty is pleased to make every effort to contribute to the revival of Hong Kong’s economy. One of the most important drivers for the economic normalisation is the full recovery of the aviation industry, and exclusive offers have been made by Midland Realty to the staff of Cathay Pacific.

## **Value Staff and Fulfill Social Responsibilities**

The Group highly values and always takes good care of its staff. During the pandemic, the strong supports ranging from flexible working hours, work from home arrangement, to COVID-prevention resources etc. won acclaim from the staff. Due to poor market conditions and emigration, the number of licensed estate agents in Hong Kong dropped by 2.3% year-on-year in 2022, the first decline in three years. The Group believes that maintaining good relationship with its staff can give it an advantage in retaining and recruiting talents. Despite the numerous challenges on the horizon, the Group will build up its talent pool to support its long-term business goals and development.

## FINANCIAL REVIEW

### Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and various borrowing facilities.

As at 31 December 2022, the Group had cash and bank balances of HK\$450,666,000 (2021: HK\$1,505,527,000).

As at 31 December 2022, the interest-bearing borrowings of the Group amounted to HK\$228,236,000 (2021: HK\$687,000,000) and with maturity profile set out as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans repayable within 1 year	54,600	687,000
Loans from related parties repayable after 1 year but within 2 years	173,636	-
	<u>228,236</u>	<u>687,000</u>

During the year ended 31 December 2022, the Group entered into loan agreements with Mr. WONG Kin Yip, Freddie (“Mr. WONG”), a director and the controlling shareholder of the Company, and a company of which Mr. WONG is the ultimate beneficial owner, to obtain financing in a total amount of approximately HK\$174 million on arm’s length terms with reference to prevailing market conditions. These loans are not secured by any assets of the Group and will mature in April 2024.

As at 31 December 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 (2021: zero per cent). The gross gearing ratio, which is calculated on the basis of total borrowings over the total equity, is 33.4% (2021: 57.9%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (2021: 1.1). The return on equity, which is the ratio of (loss)/profit for the year over the total equity of the Group, was -78.04% (2021: 8.45%).

As at 31 December 2022, the Group has unutilised borrowing facilities amounting to HK\$2,577,200,000 (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 31 December 2022, certain land and buildings held by the Group of HK\$38,709,000 were pledged to secure banking facilities granted to the Group. As at 31 December 2021, certain land and buildings and investment properties held by the Group of HK\$56,251,000 and HK\$45,390,000 respectively were pledged to secure banking facilities granted. 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\$2,196,892,000 (2021: HK\$3,303,221,000).

The Group’s cash and bank balances are denominated in Hong Kong dollars, Renminbi and Macau Pataca, and the Group’s borrowings are denominated in Hong Kong dollars and Renminbi. 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.

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

## **Contingent liabilities**

As at 31 December 2022, the Company executed corporate guarantee of HK\$2,723,800,000 (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 31 December 2022, HK\$109,538,000 of these facilities were utilised by these subsidiaries (2021: HK\$735,429,000).

## **EMPLOYEE INFORMATION**

As at 31 December 2022, the Group employed 5,705 full time employees (2021: 6,823) of which 4,850 were sales agents, 494 were back office supportive employees and 361 were frontline supportive employees.

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

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with all the code provisions 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 2022.

## **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 2022.

## **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 2022.

## 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 2022. The figures in respect of this announcement of the Group's results for the year ended 31 December 2022 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 2022 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.midland.com.hk](http://www.midland.com.hk)). The 2022 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 give my sincere thanks to our board members and staff for their tireless efforts to weather the difficulties in the face of endless challenges and would like to take this opportunity to express my appreciation to our shareholders and customers for their enduring support for the Group. The year of 2023 marks the 50th anniversary of Midland Realty. Throughout the years, the Group has rooted firmly in Mainland China, Hong Kong and Macau and we are committed to offering quality services to our customers and citizens. Going forward, the Group will stay united as one to create a brighter tomorrow.

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

Hong Kong, 28 March 2023

*As at the date of this announcement, the Board comprises seven Directors, of which four are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. WONG Tsz Wa, Pierre and Mr. CHEUNG Kam Shing; and three are Independent Non-Executive Directors, namely Mr. HO Kwan Tat, Ted, Mr. SUN Tak Chiu and Mr. WONG San.*