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## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “Board”) of Midland Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2023 (the “Interim Period”) together with the comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenues	3	2,353,952	1,715,163
Other income, net	4	1,106	8,479
Rebates	3	(764,643)	(417,213)
Staff costs		(1,111,366)	(1,020,514)
Advertising and promotion expenses		(51,659)	(60,914)
Operating lease charges in respect of office and shop premises		(14,287)	(18,099)
Amortisation of right-of-use assets		(241,688)	(302,026)
Depreciation of property and equipment		(25,302)	(25,613)
Net (impairment losses)/reversal of impairment on financial assets		(2,062)	2,603
Other operating costs	5	(84,888)	(128,693)
Operating profit/(loss)		59,163	(246,827)
Bank interest income		195	143
Interest on bank borrowings, overdrafts and other borrowings		(6,995)	(3,816)
Interest on lease liabilities		(7,699)	(9,190)
Share of results of joint ventures		7,542	7,949
Profit/(loss) before taxation		52,206	(251,741)
Taxation	6	(13,147)	19,761
Profit/(loss) for the period attributable to equity holders		39,059	(231,980)
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share	8		
Basic		5.45	(32.35)
Diluted		5.45	(32.35)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Profit/(loss) for the period attributable to equity holders	<b>39,059</b>	(231,980)
	-----	-----
Other comprehensive (loss)/income		
<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	<b>(11)</b>	(269)
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	<b>10,490</b>	3,675
	-----	-----
Other comprehensive income for the period, net of tax	<b>10,479</b>	3,406
	-----	-----
Total comprehensive income/(loss) for the period attributable to equity holders, net of tax	<b>49,538</b>	(228,574)
	=====	=====

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)  
AS AT 30 JUNE 2023**

	<i>Note</i>	As at <b>30 June 2023</b> <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		<b>133,041</b>	154,632
Right-of-use assets		<b>331,223</b>	496,144
Investment properties		<b>36,322</b>	50,718
Interests in joint ventures		<b>21,872</b>	14,330
Financial assets at fair value through other comprehensive income		<b>664</b>	988
Financial assets at fair value through profit or loss		<b>10,110</b>	10,110
Deferred tax assets		<b>64,022</b>	72,846
Loan receivables	9	<b>2,352</b>	2,970
		<b>599,606</b>	802,738
		-----	-----
<b>Current assets</b>			
Trade and other receivables	10	<b>2,969,477</b>	2,551,317
Taxation recoverable		<b>311</b>	121
Loan receivables	9	<b>16,266</b>	16,712
Cash and cash equivalents		<b>449,582</b>	450,666
Assets held for sales		<b>-</b>	3,862
		<b>3,435,636</b>	3,022,678
		-----	-----
<b>Total assets</b>		<b>4,035,242</b>	3,825,416
		=====	=====

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)  
AS AT 30 JUNE 2023**

	<i>Note</i>	<b>As at 30 June 2023 HK\$'000</b>	As at 31 December 2022 HK\$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital		71,709	71,709
Share premium		222,235	222,235
Reserves		439,842	390,304
		<u>733,786</u>	<u>684,248</u>
<b>Total equity</b>		<u>733,786</u>	<u>684,248</u>
<b>Non-current liabilities</b>			
Other payables and accruals		41,302	44,088
Borrowings		-	173,636
Deferred tax liabilities		8,479	9,203
Lease liabilities		86,132	144,669
		<u>135,913</u>	<u>371,596</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	2,686,923	2,316,819
Borrowings		200,927	54,600
Lease liabilities		273,142	395,356
Taxation payable		4,551	2,797
		<u>3,165,543</u>	<u>2,769,572</u>
<b>Total liabilities</b>		<u>3,301,456</u>	<u>3,141,168</u>
<b>Total equity and liabilities</b>		<u>4,035,242</u>	<u>3,825,416</u>

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)**

### **1 General information**

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

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

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the Board on 30 August 2023.

### **2 Basis of preparation**

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 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 2022, 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 2022, except for the adoption of the new or amended HKFRSs and HKASs which are relevant to the operations of the Group and mandatory for annual periods beginning on 1 January 2023.

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 2022.

#### **(a) New and amended standards effective in 2023**

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

#### **(b) Amended standards and interpretations which are not yet effective**

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

### 3 Revenues and 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.

Revenues recognised during the periods are as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
<b>Revenues from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
- Agency fee	<b>2,346,819</b>	1,705,627
- Immigration consultancy services	<b>2,694</b>	5,185
- Web advertising	<b>275</b>	108
- Other services	<b>2,180</b>	1,900
	<b>2,351,968</b>	1,712,820
<b>Revenues from other sources</b>		
- Rental income	<b>1,096</b>	1,249
- Interest income from loan receivables	<b>888</b>	1,094
	<b>2,353,952</b>	1,715,163

Revenues and results of property agency business is further analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
<b>Revenues from property agency business</b>	<b>2,346,819</b>	1,705,627
Rebates (note)	<b>(764,643)</b>	(417,213)
<b>Revenues less rebates</b>	<b>1,582,176</b>	1,288,414
Net segment operating costs and income	<b>(1,537,882)</b>	(1,528,306)
<b>Segment results of property agency business (as below)</b>	<b>44,294</b>	(239,892)

Note: The amount represents the committed liability to individual buyers or co-operative agents arising directly from the relevant transactions.

### 3 Revenues and segment information (continued)

Segment information for six months ended 30 June 2023 and 2022 are as follows:

	Six months ended 30 June 2023				
	Property agency		Subtotal <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Residential properties <i>HK\$'000</i>	Commercial and industrial properties and shops <i>HK\$'000</i>			
Segment revenues	2,321,629	25,190	2,346,819	10,650	2,357,469
Inter-segment revenues	-	-	-	(3,517)	(3,517)
Revenues from external customers	<u>2,321,629</u>	<u>25,190</u>	<u>2,346,819</u>	<u>7,133</u>	<u>2,353,952</u>
Timing of revenue recognition					
- At a point in time	2,321,629	25,190	2,346,819	2,180	2,348,999
- Over time	-	-	-	2,969	2,969
Rental income	-	-	-	1,096	1,096
Interest income from loan receivables	-	-	-	888	888
	<u>2,321,629</u>	<u>25,190</u>	<u>2,346,819</u>	<u>7,133</u>	<u>2,353,952</u>
Revenues	2,321,629	25,190	2,346,819	7,133	2,353,952
Rebates	(756,780)	(7,863)	(764,643)	-	(764,643)
Revenues less rebates	<u>1,564,849</u>	<u>17,327</u>	<u>1,582,176</u>	<u>7,133</u>	<u>1,589,309</u>
Segment results	<u>49,111</u>	<u>(4,817)</u>	<u>44,294</u>	<u>34,393</u>	<u>78,687</u>
Amortisation of right-of-use assets	(241,144)	(544)	(241,688)	-	(241,688)
Depreciation of property and equipment	(24,220)	(536)	(24,756)	(312)	(25,068)
Net (impairment losses)/reversal of impairment on financial assets	(2,379)	317	(2,062)	-	(2,062)
Share of results of joint ventures	-	-	-	7,542	7,542
Net fair value losses on investment properties	-	-	-	(1,801)	(1,801)
Impairment losses on right-of-use assets, net of reversals	(7,252)	(1,668)	(8,920)	-	(8,920)
Impairment losses on property and equipment	(2,212)	(397)	(2,609)	-	(2,609)
Net (loss)/gain on disposal of property and equipment	(1,344)	(88)	(1,432)	29,977	28,545
Additions to property and equipment	<u>11,376</u>	<u>111</u>	<u>11,487</u>	<u>293</u>	<u>11,780</u>

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

### 3 Revenues and segment information (continued)

	Six months ended 30 June 2022				
	Property agency				
	Residential properties HK\$ '000	Commercial and industrial properties and shops HK\$ '000	Subtotal HK\$ '000	Others HK\$ '000	Total HK\$ '000
Segment revenues	1,692,862	12,765	1,705,627	13,370	1,718,997
Inter-segment revenues	-	-	-	(3,834)	(3,834)
Revenues from external customers	1,692,862	12,765	1,705,627	9,536	1,715,163
Timing of revenue recognition					
- At a point in time	1,692,862	12,765	1,705,627	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	1,705,627	9,536	1,715,163
Revenues	1,692,862	12,765	1,705,627	9,536	1,715,163
Rebates	(414,572)	(2,641)	(417,213)	-	(417,213)
Revenues less rebates	1,278,290	10,124	1,288,414	9,536	1,297,950
Segment results	(232,993)	(6,899)	(239,892)	5,916	(233,976)
Amortisation of right-of-use assets	(301,441)	(585)	(302,026)	-	(302,026)
Depreciation of property and equipment	(24,690)	(320)	(25,010)	(369)	(25,379)
Net reversal of impairment/ (impairment losses) on financial assets	2,400	255	2,655	(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)	-	(1,653)
Impairment losses on property and equipment	(1,441)	(305)	(1,746)	-	(1,746)
Loss on disposal of property and equipment	(60)	(4)	(64)	-	(64)
Additions to property and equipment	30,220	811	31,031	12	31,043

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.

### 3 Revenues and segment information (continued)

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 borrowings, 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 condensed consolidated income statement.

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Segment results for reportable segments	<b>78,687</b>	(233,976)
Corporate expenses	<b>(19,681)</b>	(22,060)
Government subsidy	-	7,968
Bank interest income	<b>195</b>	143
Interest on bank borrowings, overdrafts and other borrowings	<b>(6,995)</b>	(3,816)
	<u>          </u>	<u>          </u>
Profit/(loss) before taxation per condensed consolidated income statement	<b>52,206</b>	(251,741)
	<u>          </u>	<u>          </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:

	<b>As at 30 June 2023</b>				
	<b>Property agency</b>		<b>Subtotal</b>	<b>Others</b>	<b>Total</b>
	<b>Residential properties</b>	<b>Commercial and industrial properties and shops</b>			
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Segment assets	<b>3,580,635</b>	<b>19,061</b>	<b>3,599,696</b>	<b>90,503</b>	<b>3,690,199</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Segment assets include:					
Interests in joint ventures	-	-	-	<b>21,872</b>	<b>21,872</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Segment liabilities	<b>3,038,229</b>	<b>30,718</b>	<b>3,068,947</b>	<b>17,990</b>	<b>3,086,937</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 3 Revenues and segment information (continued)

	As at 31 December 2022				
	Property agency		Subtotal <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Residential properties <i>HK\$'000</i>	Commercial and industrial properties and shops <i>HK\$'000</i>			
Segment assets	3,177,458	17,604	3,195,062	104,645	3,299,707
Segment assets include:					
Interests in joint ventures	-	-	-	14,330	14,330
Segment liabilities	2,849,114	29,310	2,878,424	16,956	2,895,380

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Segment assets	3,690,199	3,299,707
Corporate assets	270,247	441,765
Deferred tax assets	64,022	72,846
Financial assets at fair value through profit or loss	10,110	10,110
Financial assets at fair value through other comprehensive income	664	988
Total assets per condensed consolidated balance sheet	4,035,242	3,825,416

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Segment liabilities	3,086,937	2,895,380
Corporate liabilities	206,040	236,585
Deferred tax liabilities	8,479	9,203
Total liabilities per condensed consolidated balance sheet	3,301,456	3,141,168

### 3 Revenues and segment information (continued)

Geographical information:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenues from external customers		
Hong Kong and Macau	<b>2,194,491</b>	1,567,583
Mainland China	<b>159,461</b>	147,580
	<b>2,353,952</b>	<b>1,715,163</b>

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

### 4 Other income, net

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net fair value losses on investment properties	<b>(1,801)</b>	(1,916)
Government subsidy	-	7,968
Others	<b>2,907</b>	2,427
	<b>1,106</b>	<b>8,479</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.

## 5 Other operating costs

The major other operating costs are as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Direct operating expenses arising from investment properties that:		
– generated rental income	97	75
– did not generate rental income	21	21
Office and branch operating expenses (note (i))	<b>54,970</b>	64,373
Government rent and rates, building management fee of leased properties	<b>23,815</b>	25,310
Legal and professional fees	<b>7,724</b>	4,627
Staff recruitment, training and welfare	<b>3,795</b>	4,941
Insurance expenses	<b>7,271</b>	9,094
Bank charges	<b>7,722</b>	7,414
Impairment losses on right-of-use assets, net of reversals (note (ii))	<b>8,920</b>	1,653
Impairment losses on property and equipment (note (ii))	<b>2,609</b>	1,746
Net (gain)/loss on disposal of property and equipment	<b>(28,545)</b>	64
Net foreign exchange (gain)/loss	<b>(215)</b>	384
Auditor's remuneration		
– audit services	<b>1,178</b>	1,564
– interim results review	<b>573</b>	573
	<b>=====</b>	<b>=====</b>

Notes:

- (i) Office and branch operating expenses include utilities expenses, communication expenses, printing and stationery, transportation, licence fee and repair and maintenance.
- (ii) The Group regards each district/region as a separately identifiable cash-generating unit. Management carries out an impairment assessment on cash-generating units when an impairment indicator exists and the carrying amounts may not be recoverable. The carrying amount of the related assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## 6 Taxation

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	<b>4,982</b>	4,960
Overseas	<b>65</b>	-
Deferred taxation	<b>8,100</b>	(24,721)
	<b>13,147</b>	(19,761)

Hong Kong profits tax has been calculated at the rate of 16.5% (for the six months ended 30 June 2022: 16.5%) on the estimated assessable profit for the period, except for one subsidiary of the Company which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated on the same basis in 2022.

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

## 7 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

## 8 Earnings/(loss) per share

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(loss) attributable to equity holders for the calculation of basic and diluted earnings/(loss) per share	<b>39,059</b>	(231,980)
Weighted average number of shares for the calculation of basic and diluted earnings/(loss) per share (thousands)	<b>717,086</b>	717,086
Basic earnings/(loss) per share (HK cents)	<b>5.45</b>	(32.35)
Diluted earnings/(loss) per share (HK cents)	<b>5.45</b>	(32.35)

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 period.

For the six months ended 30 June 2023 and 2022, the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as the exercise of share options of the Company would have an anti-dilutive effect.

## 9 Loan receivables

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

	<b>As at 30 June 2023 HK\$'000</b>	<b>As at 31 December 2022 HK\$'000</b>
Within 1 year	<b>16,266</b>	16,712
Over 1 year but less than 2 years	<b>2,073</b>	310
Over 2 years but less than 3 years	<b>279</b>	2,660
	<b>18,618</b>	19,682

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

## 10 Trade and other receivables

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

	<b>As at 30 June 2023 HK\$'000</b>	<b>As at 31 December 2022 HK\$'000</b>
Current (not yet due)	<b>2,586,857</b>	2,129,083
Less than 30 days past due	<b>38,833</b>	40,906
31 to 60 days past due	<b>26,026</b>	17,377
61 to 90 days past due	<b>6,352</b>	15,759
More than 90 days past due	<b>55,575</b>	73,826
	<b><u>2,713,643</u></b>	<b><u>2,276,951</u></b>

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\$288,176,000 (as at 31 December 2022: HK\$247,949,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period end. All the remaining commissions and rebate payables are not yet due.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group announces that for the Interim Period, the Group recorded a revenue of approximately HK\$2,354 million, representing a 37% increase as compared with that for the corresponding period in 2022, and profit attributable to equity holders amounted to approximately HK\$39 million (loss attributable to equity holders for the six months ended 30 June 2022: approximately HK\$232 million).

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

1. the Group's business units "Midland Realty 美聯物業" and "Hong Kong Property 香港置業" recorded an operating profit for the six months ended 30 June 2023 as compared with an operating loss for the corresponding period in 2022. Such improvement was attributable to (a) the increase in the Group's market share in Hong Kong; and (b) the successful capture of the rebound in the Hong Kong residential property market; and
2. efforts towards streamlining the Group's businesses in Hong Kong and Mainland China while maintaining the strength of the local frontline operations.

### Economy Not Fully Recovered Yet

The Hong Kong economy in the first half of 2023 has improved since the COVID-prevention measures were lifted in late 2022. The retail sector has benefitted the most from the border reopening with retail sales increasing by 21% in the first half of 2023. However, it was still 15% below the pre-pandemic level when compared with the same period in 2019. Indeed, the road to full recovery appears to be long and winding with the number of tourist arrivals, the amount of stock trading volume, the number of the IPO deals, and the level of business confidence remaining below their respective peaks.

The total value and number of the local residential sales registrations posted 6% and 11% growth, respectively, in the first half of 2023 as compared with that in the corresponding period of 2022.

### Losing Steam Since Second Quarter

The property market started on a high note at the beginning of the year. Both sales transaction activities and property prices rose in the first quarter of 2023. Normalisation of the local economy, reopening of the border between Mainland China and Hong Kong, and the cut in ad valorem stamp duty for the low-end property transactions were the major driving forces for the increase in sales activities. Remarkably, the high-end segment also rebounded. According to the Group's research team, new properties worth over HK\$50 million sold in the first three months of the year amounted to 101 units, up 304% from the corresponding period in 2022. In the meantime, Mainland property buyers accounted for 13% of the residential transactions, a new quarterly high in 11 years. Nevertheless, the local property market has slowed down significantly since April this year and the number of home sales registrations continued to drop in the second quarter of 2023. In the Group's view, the market slowdown can be attributed to (1) demand being absorbed in the first quarter; (2) interest rate rising continuously; and (3) recovery of Mainland economy not meeting expectation. However, the slowdown was uneven. Obviously, the bright spot of the market was the new home sector. On a quarterly basis, new home sales registrations increased by 26.8% in the second quarter of 2023. Developers managed to sell more units at the expense of the secondary market as the selling price of the new units was set near that of the secondary homes.

### Property Prices Softening

Last year, the number of new home sales fell to a 9-year low. Understandably, developers had to speed up the pace of new launches so as to make up the shortfall in sales. Since demand was absorbed in the first quarter of 2023, developers needed to lower prices to boost sales in the second quarter. Hence, secondary homes transactions in the second quarter dropped by 24.2% as compared with that in the previous quarter. After rising 5.9% in the first three months, property prices dipped 0.4% over the period from April to June 2023. Clearly, the strong financial position of the individual property owners has helped stabilise property prices.

## **Improvements in Operation Efficiency**

The recovery of the Hong Kong economy in the first half of 2023 was not particularly spectacular. Without the streamlining efforts the Group carried out since the second half of 2022, the mild increase in the home transaction value alone could not have led to the turnaround of profitability of the Group. Remarkably, the strength of the Group's local frontline operations was not compromised as the retrenchment exercises were implemented delicately and tactfully.

In the first half of 2023, the Group managed to gain market share in the local residential market. Significant improvements were made especially in the primary market. At the same time, the Group's market position was also strengthened in the high-end segment. During the Interim Period, Midland Realty, the Group's flagship business unit, and Hong Kong Property, another brand which also focuses on the local residential property market, were both profit-making. Nevertheless, the business environment remained challenging. Despite the full reopening of the Mainland economy, its property market was still plagued by a series of problems such as the lack of confidence, high unemployment rate, worries about unfinished projects and so on.

In recent years, the Group has not let up in its efforts to control rental expense. Amid a lukewarm recovery of the retail sector, the Group has kept bargaining with landlords for rental concessions, and the results were quite positive. Despite the mild recovery of the property market in the first half of 2023, the Group closed down some branches during the Interim Period.

## **OUTLOOK**

### **Bumpy Road to Recovery**

The road to full recovery of the Hong Kong economy has been bumpy. For a start, geopolitical risks have led to a continuing bearish sentiment towards Chinese stocks, impacting the status of Hong Kong as a global financial centre. In the meantime, no major multinational corporation expansion has taken place in Hong Kong. The concern for rising interest rates had at one point dissipated and the Hong Kong Interbank Offered Rate (HIBOR) hovered at around 3% in the first few months of the year. Yet, the US labour market has been stubbornly strong, complicating the fight against inflation. Now, the effective mortgage rate is about 200 basis points higher than that before the interest rate hikes. The rise in mortgage payments has undoubtedly undermined the impacts of the cut in stamp duties which was made by the government in February 2023. The Hong Kong Monetary Authority announced in early July 2023 a new round of easing measures by lifting the maximum loan-to-value ("LTV") ratios to 70% for self-occupied residential property valued at HK\$15 million or below, and raising the maximum LTV ratios from 50% to 60% for homes transacted at between HK\$15 million and HK\$30 million. However, the response to the new changes has been lukewarm given the impact of rising mortgage rates on buying power.

### **Potential Market Improvements**

The number of Mainland tourists in the first half of the year was a long way below its peak but the flip side of the coin is that room for further rebound is huge. It is also clear that the behaviour of Mainland tourists has changed, and it may take longer for industries such as retail to return to their heyday. That said, some other sectors did stand out. For example, Hong Kong life insurers' new business premiums from Mainland visitors surged by 2,686% in first quarter of 2023 as compared with the same period in 2022.

For the interest rates outlook, the US June and July inflation report offered a big relief, which showed a mild 3% and 3.2% year-on-year rise of consumer price index in June and July 2023 respectively, a sharp slowdown from the 9% and 8.5% pace in the same period of last year. If the interest rate comes down sooner than expected, spending power of local buyers will improve and the impacts of those aforementioned relaxations such as the cut in stamp duties and increase in LTV ratio will start to kick in.

Mainland China's GDP grew by 6.3% in the second quarter of 2023 as compared with the same period of 2022. Back then, Shanghai and other cities in Mainland China were under lockdown, and so the year-on-year economic growth in the second quarter was expected to be much stronger because of the low base for comparison. Indeed, the economy grew by only 0.8% in the second quarter compared with the first quarter of 2023. The central government has already launched some stimulus measures such as cutting lending rate. If there are further efforts to revive the Mainland economy, Hong Kong property market will benefit as well.

## **New Demand and Rents Outperforming Prices**

According to the Census and Statistics Department, the provisional estimate of the Hong Kong population was 7,498,100 at mid-2023, representing an increase of 152,000 or 2.1% from 7,346,100 at mid-2022. As some Mainland and overseas talents have been and will be admitted to Hong Kong through various schemes, the number of local population is expected to keep growing. The Top Talent Pass Scheme, a new policy initiative launched by the Hong Kong Government in December 2022, has shown positive results. Up to the end of June 2023, over 36,000 applications were received, among them, around 26,000 cases were approved. Meanwhile, other talent admission schemes such as the Quality Migrant Admission Scheme and employment-tied schemes have also been relaxed. Last year, the government set a target of admitting at least 35,000 individuals a year under various talent admission schemes. In the first six months of 2023, over 100,000 applications were received and around 61,000 cases were approved. In the second half of this year, some of those new working visa holders will come to Hong Kong with their dependents, and they will create a new demand for residential properties. In the near term, the rental market will benefit the most and rents have already outperformed property prices in recent months. But in the longer term, those newcomers who decide to take root in Hong Kong may subsequently consider buying residential property and paying the 30% stamp duty imposed on foreign buyers. Eligible incoming talents can apply for a refund of the difference between the amount paid by foreigners and locals after they become Hong Kong permanent residents. Even so, the Group recommends the government to waive the hefty tax for the working visa holders so as to encourage them to own instead of renting properties. Strong talent recruitment results will not automatically translate into success in talent retention. It is clear that owning a property in Hong Kong can better enhance their sense of belonging. If no policy is launched by the government, the market will continue to slow. We will scramble for a higher market share.

The Group is confident that Hong Kong, as a land of abundant opportunities, is always capable of fostering new engines of economic growth. The Group believes that, with strategic policy implementation, this city could effectively utilize its unique international attributes. By focusing on the progressive development of service sectors such as healthcare, medical aesthetic, legal, accounting, and education, it is possible to usher in a new era filled with opportunities for Hong Kong.

## **Riding on Market Trend**

ChatGPT has taken the world by storm and much has been discussed about how it could change the world. As artificial intelligence (“AI”) is gaining traction, the Group has put great efforts in embracing the new technology. The Group has introduced AI tools to our online platform, raising the standard of its customer service and enhancing users’ experience. Since mid-2022, Midland Realty App has become the top mobile application in terms of active users in the property agency industry. In the first half of 2023, the average number of monthly active users of our mobile application was nearly 100% more than that of our main competitor. In the first half of 2023, our online platform clinched six awards including a historic achievement of winning an Asian regional award. And our mobile application and websites have already clinched 32 awards since their revamp in 2020. Besides, the Group has continued to equip its sales force with knowledge and skills on technology. Special training sessions on AI applications were provided to our staff who are now using various new technologies to produce video clips on property tours.

The Group is glad that various government-driven talent admission schemes have been successful. Deep-rooted in Hong Kong, the Group will make every effort to contribute to the success of talent recruitment and retention in Hong Kong, such as using its holistic platform to provide services to the newcomers in working visa application and renewal, school application, and property search. In late July, the Hong Kong Talent Engage, a dedicated website established by the HKSAR Government, was launched to serve as a one-stop platform for talent engagement. Because of the Group’s top-notch service, the Group has been selected by the Government as the designated partner in the areas of accommodation, education, and integrated settlement services.

## FINANCIAL REVIEW

### Liquidity and financial resources

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

As at 30 June 2023, the Group had cash and bank balances of HK\$449,582,000 (as at 31 December 2022: HK\$450,666,000).

As at 30 June 2023, the interest-bearing borrowings of the Group amounted to HK\$200,927,000 (as at 31 December 2022: HK\$228,236,000) and with maturity profile set out as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Bank borrowings repayable within 1 year (with repayment on demand clause)	33,400	54,600
Loans from related parties repayable within 1 year	167,527	-
Loans from related parties repayable after 1 year but within 2 years	-	173,636
	<u>200,927</u>	<u>228,236</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. These loans are not secured by any assets of the Group and will mature in April 2024.

As at 30 June 2023, 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 2022: zero per cent). The gross gearing ratio, which is calculated on the basis of total borrowings over the total equity, is 27.4% (as at 31 December 2022: 33.4%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (as at 31 December 2022: 1.1). The return on equity, which is the ratio of profit/(loss) for the period over the total equity of the Group, was 5.32% (for the six months ended 30 June 2022: -24.22%).

As at 30 June 2023, the Group has unutilised borrowing facilities amounting to HK\$2,598,400,000 (as at 31 December 2022: HK\$2,577,200,000) 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 2023, certain land and buildings held by the Group of HK\$38,477,000 (as at 31 December 2022: HK\$38,709,000) 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\$2,630,409,000 (as at 31 December 2022: HK\$2,196,892,000).

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

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

As at 30 June 2023, the outstanding loan receivable was HK\$18,618,000 (as at 31 December 2022: HK\$19,682,000) represent loan to employees and property mortgage loans granted to customers in Hong Kong. The outstanding loan balance involved 23 cases (as at 31 December 2022: 26 cases) with different borrowers. Amongst the outstanding loan portfolio, HK\$16,100,000 was property mortgage loans (representing approximately 86% of the outstanding loan portfolio as a whole) and was secured by first mortgage over non-residential properties, with average loan to value ratio of approximately 60%. The largest outstanding loan receivable was HK\$10,000,000 (representing approximately 54% of the outstanding loan portfolio as a whole) which was secured by a first mortgage over non-residential properties with a loan to value ratio of 54%. No impairment loss on loan was made under the period under review.

The credit business of the Group is operated by Midland Credit Limited ("Midland Credit"), the Group's money lending unit.

All loans advanced by Midland 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.

Midland Credit's collection team will conduct periodic review of its portfolio to monitor risks of default.

## **Contingent Liabilities**

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. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the condensed 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 30 June 2023, the Group employed 5,362 full time employees (as at 31 December 2022: 5,705) of which 4,606 were sales agents, 451 were back office supportive employees and 305 were frontline supportive employees.

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

## **INTERIM DIVIDEND**

The Board does not declare an interim dividend for the Interim Period (for the six months ended 30 June 2022: nil).

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Interim Period.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Interim Period.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee of the Company has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company’s auditor has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **PUBLICATION OF 2023 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim 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 Company’s 2023 Interim Report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

Year 2023 marks the 50th anniversary of the establishment of Midland Realty. After half a century, the Group has successfully built a holistic sales platform. On the occasion of the Group’s half a century milestone, I would like to offer my deepest gratitude to our staff who have contributed to the Group’s continual growth and successes, as well as our shareholders and clients for their unwavering support throughout the years.

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

Hong Kong, 30 August 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.*