美聯集團
MIDLAND HOLDINGS
Midland Holdings Limited
美 聯 集 團 有 限 公 司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1200)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024 (the "Interim Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	**Six months ended 30 June**	
		2024	2023
		HK$'000	*HK$'000*
Revenues	*3*	**3,318,795**	2,353,952
Other (loss)/income, net	*4*	**(687)**	1,106
Rebates	*3*	**(1,519,647)**	(764,643)
Staff costs		**(1,228,067)**	(1,111,366)
Advertising and promotion expenses		**(49,741)**	(51,659)
Operating lease charges in respect of office and shop premises		**(15,908)**	(14,287)
Amortisation of right-of-use assets		**(149,776)**	(241,688)
Depreciation of property and equipment		**(18,209)**	(25,302)
Net impairment losses on financial assets		**(13,395)**	(2,062)
Other operating costs	*5*	**(108,816)**	(84,888)
Operating profit		**214,549**	59,163
Bank interest income		**2,904**	195
Finance costs	*6*	**(15,831)**	(14,694)
Share of results of joint ventures		**4,788**	7,542
Profit before taxation		**206,410**	52,206
Taxation	*7*	**(32,343)**	(13,147)
Profit for the period attributable to equity holders		**174,067**	39,059
		HK cents	*HK cents*
Earnings per share	*9*		
Basic		**24.27**	5.45
Diluted		**24.27**	5.45

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Profit for the period attributable to equity holders	**174,067**	39,059
Other comprehensive (loss)/income		
Item that will not be reclassified to profit or loss		
Change in fair value of financial assets at fair value through other comprehensive income	**(1)**	(11)
Item that may be reclassified to profit or loss		
Currency translation differences	**8,066**	10,490
Other comprehensive income for the period, net of tax	**8,065**	10,479
Total comprehensive income for the period attributable to equity holders, net of tax	**182,132**	49,538

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2024

	Note	As at 30 June 2024 HK$'000	As at 31 December 2023 HK$'000
ASSETS			
Non-current assets			
Property and equipment		**104,368**	119,990
Right-of-use assets		**206,231**	263,342
Investment properties		**28,199**	30,284
Interests in joint ventures		**16,458**	11,670
Financial assets at fair value through other comprehensive income		**475**	668
Deferred tax assets		**41,956**	69,749
Loan receivables	*10*	**721**	989
Other non-current asset		**10,110**	10,110
		408,518	506,802
Current assets			
Trade and other receivables	*11*	**3,977,722**	2,529,671
Taxation recoverable		**591**	383
Loan receivables	*10*	**481**	184
Cash and cash equivalents		**664,582**	532,147
		4,643,376	3,062,385
Total assets		**5,051,894**	3,569,187

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)
AS AT 30 JUNE 2024

	Note	**As at 30 June 2024** *HK$'000*	As at 31 December 2023 *HK$'000*
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**71,709**	71,709
Share premium		**222,235**	222,235
Reserves		**545,379**	363,247
Total equity		**839,323**	657,191
Non-current liabilities			
Other payables and accruals		**38,471**	41,966
Deferred tax liabilities		**8,260**	8,241
Lease liabilities		**38,128**	65,001
		84,859	115,208
Current liabilities			
Trade and other payables	*12*	**3,573,661**	2,400,700
Borrowings		**361,000**	169,890
Lease liabilities		**185,878**	221,948
Taxation payable		**7,173**	4,250
		4,127,712	2,796,788
Total liabilities		**4,212,571**	2,911,996
Total equity and liabilities		**5,051,894**	3,569,187

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 ("HK$"), unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the Board on 27 August 2024.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared under the historical cost convention as modified by the revaluation of investment properties 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 and the applicable disclosure requirements of Appendix D2 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 2023, 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 2023, except for the adoption of the amended HKFRSs and HKASs which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2024.

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 2023.

(a) Amended standards and interpretations effective in 2024

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

(b) New and amended standards and interpretations which are not yet effective

The Group has not early applied the new and amended standards and interpretations that have been issued but not yet effective. The adoption of these new and 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:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
- Agency fee	**3,312,127**	2,346,819
- Immigration consultancy services	**3,603**	2,694
- Web advertising	**108**	275
- Other services	**2,176**	2,180
	3,318,014	2,351,968
Revenues from other sources		
- Rental income	**730**	1,096
- Interest income from loan receivables	**51**	888
Total revenues	**3,318,795**	2,353,952

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

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Revenues from property agency business	**3,312,127**	2,346,819
Rebates (note)	**(1,519,647)**	(764,643)
Revenues less rebates	**1,792,480**	1,582,176
Net segment operating costs and income	**(1,554,545)**	(1,537,882)
Segment results of property agency business (as below)	**237,935**	44,294

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 2024 and 2023 are as follows:

	Six months ended 30 June 2024				
	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	**3,290,690**	**21,437**	**3,312,127**	**10,789**	**3,322,916**
Inter-segment revenues	**-**	**-**	**-**	**(4,121)**	**(4,121)**
Revenues from external customers	**3,290,690**	**21,437**	**3,312,127**	**6,668**	**3,318,795**
Timing of revenue recognition					
- At a point in time	**3,290,690**	**21,437**	**3,312,127**	**2,176**	**3,314,303**
- Over time	**-**	**-**	**-**	**3,711**	**3,711**
Rental income	**-**	**-**	**-**	**730**	**730**
Interest income from loan receivables	**-**	**-**	**-**	**51**	**51**
	3,290,690	**21,437**	**3,312,127**	**6,668**	**3,318,795**
Revenues	**3,290,690**	**21,437**	**3,312,127**	**6,668**	**3,318,795**
Rebates	**(1,516,059)**	**(3,588)**	**(1,519,647)**	**-**	**(1,519,647)**
Revenues less rebates	**1,774,631**	**17,849**	**1,792,480**	**6,668**	**1,799,148**
Segment results	**237,422**	**513**	**237,935**	**1,342**	**239,277**
Amortisation of right-of-use assets	**(149,607)**	**(59)**	**(149,666)**	**(110)**	**(149,776)**
Depreciation of property and equipment	**(17,321)**	**(358)**	**(17,679)**	**(296)**	**(17,975)**
Net impairment losses on financial assets	**(12,048)**	**(1,347)**	**(13,395)**	**-**	**(13,395)**
Share of results of joint ventures	**-**	**-**	**-**	**4,788**	**4,788**
Fair value losses on investment properties	**-**	**-**	**-**	**(1,983)**	**(1,983)**
Impairment losses on right-of-use assets, net of reversals	**(382)**	**(119)**	**(501)**	**-**	**(501)**
Impairment losses on property and equipment	**(43)**	**(13)**	**(56)**	**-**	**(56)**
Loss on disposal of property and equipment	**(75)**	**(10)**	**(85)**	**-**	**(85)**
Additions to property and equipment	**3,019**	**18**	**3,037**	**10**	**3,047**

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 2023				
	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	2,321,629	25,190	2,346,819	10,650	2,357,469
Inter-segment revenues	-	-	-	(3,517)	(3,517)
Revenues from external customers	2,321,629	25,190	2,346,819	7,133	2,353,952
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
	2,321,629	25,190	2,346,819	7,133	2,353,952
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	1,564,849	17,327	1,582,176	7,133	1,589,309
Segment results	49,111	(4,817)	44,294	34,393	78,687
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)
Gain on disposal of assets held for sales	-	-	-	10,512	10,512
Gain on disposal of land and building	-	-	-	19,465	19,465
Loss on disposal of other property and equipment	(1,344)	(88)	(1,432)	-	(1,432)
Additions to property and equipment	11,376	111	11,487	293	11,780

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, 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 before taxation is provided as follows:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Segment results for reportable segments	**239,277**	78,687
Corporate expenses	**(27,108)**	(19,681)
Bank interest income	**2,904**	195
Interest on bank borrowings, overdrafts and other borrowings	**(8,663)**	(6,995)
Profit before taxation per condensed consolidated income statement	**206,410**	52,206

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, other non-current asset and financial assets at fair value through other comprehensive income, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reporting segments:

	As at 30 June 2024				
	Property agency				
	Residential properties	**Commercial and industrial properties and shops**	**Subtotal**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**4,610,688**	**18,663**	**4,629,351**	**58,878**	**4,688,229**
Segment assets include:					
Interests in joint ventures	**-**	**-**	**-**	**16,458**	**16,458**
Segment liabilities	**3,793,892**	**19,491**	**3,813,383**	**11,036**	**3,824,419**

3 Revenues and segment information (continued)

	As at 31 December 2023				
	Property agency				
	Residential properties	Commercial and industrial properties and shops	Subtotal	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	2,983,489	14,497	2,997,986	56,162	3,054,148
Segment assets include:					
Interests in joint ventures	-	-	-	11,670	11,670
Segment liabilities	2,688,055	23,141	2,711,196	13,716	2,724,912

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2024	As at 31 December 2023
	HK$'000	*HK$'000*
Segment assets	**4,688,229**	3,054,148
Corporate assets	**311,124**	434,512
Deferred tax assets	**41,956**	69,749
Other non-current asset	**10,110**	10,110
Financial assets at fair value through other comprehensive income	**475**	668
Total assets per condensed consolidated balance sheet	**5,051,894**	3,569,187

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2024	As at 31 December 2023
	HK$'000	*HK$'000*
Segment liabilities	**3,824,419**	2,724,912
Corporate liabilities	**379,892**	178,843
Deferred tax liabilities	**8,260**	8,241
Total liabilities per condensed consolidated balance sheet	**4,212,571**	2,911,996

3 Revenues and segment information (continued)

Geographical information:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Revenues from external customers		
Hong Kong and Macau	**3,182,422**	2,194,491
Mainland China	**136,373**	159,461
	3,318,795	2,353,952

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

4 Other (loss)/income, net

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Net fair value losses on investment properties	**(1,983)**	(1,801)
Others	**1,296**	2,907
	(687)	1,106

5 Other operating costs

The major other operating costs are as follows:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Direct operating expenses arising from investment properties that:		
– generated rental income	**102**	97
– did not generate rental income	**-**	21
Office and branch operating expenses (note (i))	**42,107**	54,970
Government rent and rates, building management fee of leased properties	**20,422**	23,815
Legal and professional fees	**18,050**	7,724
Staff recruitment, training and welfare	**2,141**	3,795
Insurance expenses	**7,682**	7,271
Bank charges	**8,144**	7,722
Impairment losses on right-of-use assets, net of reversals (note (ii))	**501**	8,920
Impairment losses on property and equipment (note (ii))	**56**	2,609
Gain on disposal of assets held for sales	**-**	(10,512)
Net loss/(gain) on disposal of property and equipment	**85**	(18,033)
Auditor's remuneration		
– audit services	**1,156**	1,178
– interim results review	**-**	573

Notes:

(i) Office and branch operating expenses include utilities expenses, communication expenses, printing and stationery, transportation, licence fee and repair and maintenance.

(ii) The Group regards each business unit in each city 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 Finance costs

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Interest on bank borrowings, overdrafts and other borrowings	**8,663**	6,995
Interest on lease liabilities	**7,168**	7,699
	15,831	14,694

7 Taxation

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**4,522**	4,982
Overseas	**-**	65
Deferred taxation	**27,821**	8,100
	32,343	13,147

Hong Kong profits tax has been calculated at the rate of 16.5% (for the six months ended 30 June 2023: 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 2023.

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.

8 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

9 Earnings per share

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Profit attributable to equity holders for the calculation of basic and diluted earnings per share	**174,067**	39,059
Weighted average number of shares for the calculation of basic and diluted earnings per share (thousands)	**717,086**	717,086
Basic earnings per share (HK cents)	**24.27**	5.45
Diluted earnings per share (HK cents)	**24.27**	5.45

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2024 and 2023, the diluted earnings per share is the same as the basic earnings per share as the exercise of share options of the Company would have an anti-dilutive effect.

10 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:

	As at 30 June 2024	As at 31 December 2023
	HK$'000	*HK$'000*
Within 1 year	**481**	184
Over 1 year but less than 2 years	**700**	582
Over 2 years but less than 3 years	**21**	27
Over 3 years	**-**	380
	1,202	1,173

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

11 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 transactions or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	As at 30 June 2024 ***HK$'000***	As at 31 December 2023 *HK$'000*
Current (not yet due)	**3,681,498**	2,187,987
Less than 31 days past due	**36,578**	25,911
31 to 60 days past due	**7,990**	28,647
61 to 90 days past due	**5,406**	5,360
More than 90 days past due	**48,795**	57,173
	3,780,267	2,305,078

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

12 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$337,800,000 (as at 31 December 2023: HK$295,165,000) 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 profit attributable to equity holders of approximately HK$174 million, representing a 346% increase as compared with that for the corresponding period in 2023.

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

(1) the substantial increase in operating profit of the Group's business units "Midland Realty 美聯物業" and "Hong Kong Property 香港置業" for the Interim Period as compared with the corresponding period last year. Such improvement was attributable to (a) the successful capture of the rebound in the Hong Kong residential property market; (b) the Group's stable market share in Hong Kong; and (c) optimisation of the Group's operational efficiencies; and

(2) the significant improvement of the results of the Group's operations in Mainland China despite the extremely difficult business environment, following the implementation of a series of strategic initiatives, including the promotion of a new sales management team (with a new chief executive officer) and the series of new measures (such as repositioning of business model and streamlining of Mainland operations) in the final quarter of 2023.

During the Interim Period, the revenue of the Group increased by 41% year-on-year, faring significantly better than the 0.2% drop of the total value of the local residential sales registrations in Hong Kong during the period. The outperformance can be mainly attributed to a series of effective management initiatives taken by the Group in recent years.

Positive Impacts of the Removal of Demand-side Management Measures

The removal of all demand-side management measures for residential properties by the Hong Kong government in late February 2024 provided a strong boost to the Hong Kong property sales activity. According to the Land Registry's figures, the primary residential property sales registrations amounted to 7,069 units from March to May 2024, the highest level in any three-month period in the recent five years. Secondary market also improved. The secondary residential property sales registrations in the first half of 2024 increased by 48% from that in the second half of 2023. Property prices once rebounded as well. The figures from the Rating and Valuation Department show that property prices rose two months in a row from March to April 2024, before resuming the downtrend again in May 2024.

Among all the relaxation measures, the complete removal of the New Residential Stamp Duty (NRSD) and the Buyer's Stamp Duty (BSD) is believed to be the most powerful driver for the improvement of market activity. All buyers, regardless of residency, now pay the same stamp duty rate from HK$100 to 4.25% of the property price. The removal of measures triggered a huge surge in demand from Mainlanders, especially for new properties, and investors demand was also rekindled. Based on market intelligence, there were about 1,000 units snapped up by multi-home buyers in the first half of 2024. According to the figures from the Group's property research team, the share of Mainland buyers in the primary sales in terms of property value reached 57% in April 2024, a new high since this data has been tracked by the Group from 2010.

Market Has Gone Down Again

Since May 2024, property prices have softened and transaction activities have shrunk from the peak of the year. Over the three-month period from May to July 2024, property prices fell by 3%, mainly due to developers' pursuit of the volume-driven strategy and setting the prices for new units at a discount. In the second quarter of this year, the price gap between new and old properties still stood at above 12%, the secondary home market activity was relatively quiet as a result. The overall market has slowed down in recent months because of uncertain economic outlook, elevated interest rate, and heightened geopolitical tensions.

After the border reopening, the Hong Kong retail sector has been plagued by the strong US dollar. The plummeting exchange rates of several currencies have spurred Hong Kong people to spend outside the city. It has become a weekend ritual for Hong Kong people to dine and shop in the Greater Bay Area. In April 2024, the month that the long Easter holiday took place, retail sales recorded a stunning year-on-year drop of 16.5%. Moreover, the slide persisted in the subsequent months. It is natural for potential homebuyers to hesitate if shops and restaurants keep shutting down in their neighbourhoods.

Another market concern is the elevated interest rates. After an increase of 525 basis points from 2021 to 2023, interest rates have been flat for more than a year. While there have been a lot of forecasts about interest rate cuts since late 2023, there is still no exact indication on timing or extent despite the clear intention of rate cuts shown by the Federal Reserve Chairman. Indeed, local demand has hinged on the trend of interest rate. As interest rate stayed elevated in the first half of 2024, local Hong Kong people buying power declined in terms of transaction value. Furthermore, the upcoming US presidential election has presented a source of uncertainty. The former US President Donald Trump, one of the US presidential candidates, has made it be known that he would impose more tariffs on Chinese goods if he wins the US presidential election. Such rhetoric has also adversely affected buyers' confidence.

Growth in Staff Productivity and Cost Effectiveness

The long-awaited cancellation of tightening measures had once been believed to provide long-term support to the property market. But the buy-and-sell market activity only revived for a short period of time. The whole industry and the Group did not return to expansion mode in the first half of 2024. During the reporting period, the management's focus was on raising staff productivity and the Group's operational efficiencies. One of the key moves was the establishment of a new role of Group Chief Executive Officer (Residential) who oversees and enhances the sales operations in Hong Kong, Macau and Mainland China. Under the leadership of the new Group Chief Executive Officer (Residential), the cross-border sales cooperation has improved, financial loss of the Group's Mainland operations has narrowed, and the efficiency and effectiveness has strengthened. In the meantime, the Group has put a lot of efforts on optimising operations, restructuring processes, and maximising performance. As a result, the Group's sales productivity outgrew the market activity.

Amid a weak retail environment, the Group seized the chance to negotiate better leasing terms upon renewal. Major achievements were made and the overall rental expenses continued to decrease in the first half of 2024.

OUTLOOK

Challenging Economic Outlook

Hong Kong's economy currently lacks new momentum. In particular, the retail industry has suffered the most from the "revenge travel" of Hong Kong people. Indeed, the impact of it has been magnified by the strong US dollar which has undermined the competitiveness of Hong Kong on many fronts. Not only has the strong currency encouraged Hong Kong people to travel abroad, but it has also made visiting Hong Kong relatively expensive to foreign tourists. The tourism industry is still struggling to return to the pre-pandemic level. Adding insult to injury is the emerging trend of cross-border consumption, and such trend is not expected to reverse even if the local currency may weaken following possible interest rate cuts in the second half of 2024. But if the Hong Kong dollar weakens, the number of tourist arrivals is expected to rise. The Hong Kong government's efforts in organising world-class events and seasonal celebrations are expected to bear fruit. The increase of duty-free allowance for luggage articles brought into the Mainland from Hong Kong by visitors who are Mainland residents will also help.

Future reduction in interest rate, according to market consensus, is highly likely, especially amid the fear of recession in the US. However, since a series of hopes of rate cut have been dashed in recent years, homebuyers are unlikely to act before interest rates are cut. Local demand will pick up if, as expected, interest rates are cut more than once before the end of 2024. Another market concern is the geopolitical environment. The US presidential election will take place in November 2024, the results of which will have profound impacts on Sino-US relations. Despite geopolitical uncertainties, the Hong Kong wealth and asset management industry still managed to grow. Furthermore, there is even news about Hong Kong winning back affluent Mainland Chinese individuals and families after the rollout of a series of financial initiatives by the Hong Kong government to entice them. And the high-end segment is expected to benefit.

For Mainland China's economy, the GDP grew by 4.7% in the second quarter of 2024 as compared with the corresponding period of 2023. The figure was weaker than expected and slower than the previous quarter, while economic growth seemed to be stabilising. The launch of "May 17th" policies in May 2024 may have helped boost Mainland property market sentiment and, subsequently, developers' sales, but the full effects may take some more time to manifest. And for the Mainland China's third plenum held in mid-July 2024, new supportive measures for the economy were unveiled by the central government. The Group expects the Mainland and Hong Kong economy to benefit from them.

Education Hub

According to the price index data from the Rating and Valuation Department, home prices fell by 1.32% in May 2024, ending a two-month rising streak. However, the rental market has been red hot. Rents rose for three consecutive months from March to May 2024, outperforming property prices. Additionally, the peak rental season over the summer had yet to begin. In June 2024, rents rose further by 0.2% as more non-local students arrived to prepare for the new school term. Indeed, Hong Kong has become an education hub. The QS World University Rankings 2025 report shows that Hong Kong has five top 100 world universities, the most among Asian cities. Now Hong Kong has become a popular destination for non-locals to further their education. In 2023, the number of Hong Kong student visas granted grew by around 32.6% to around 60,000 for the whole year and it may continue to rise to 80,000 this year. One important driver is the Hong Kong government's initiative to double the quotas of non-local students at eight government-funded post-secondary institutions to 40%.

Children's education is believed to be a primary driver for many Mainland professionals seeking working visas in Hong Kong. With more non-locals studying here, the rental market is expected to continue holding up and significantly support the overall housing sector.

It is quite clear that the number of Hong Kong migrants has peaked. With more non-local students studying and non-local talents working in Hong Kong, the underlying housing demand will be boosted and rents are likely to rise persistently. In 2023, nearly 140,000 applicants were approved to come to Hong Kong through various talent schemes and about 120,000 of their dependents (i.e. spouses or children) were allowed to come along, property market can be benefited as a result.

Now, the rental yield of small private residential units stands at around 3.4%, significantly higher than the recent low of 2.3% recorded in the first half of 2021. Amid an elevated interest rate environment, a rental yield of 3.4% may not seem too attractive. However, to some Mainlanders, such a level of return is acceptable as it is much lower in some Mainland cities. The Group believes that the huge surge in transaction activities right after the policy relaxations is not just a one-time demand release, and Mainlanders' buying power will continue to provide support to the local property market.

Be Lean, Mobile, Digital and Holistic

The strong involvement of the Mainland buyers and the improvement of the connectivity between Hong Kong and Mainland China have changed the market landscape. According to the Land Registry's data, in the first half of 2024, the primary property sales registrations rose by 47.8% compared with that of the same period in 2023, while the secondary property sales registrations dropped by 7.5%. In particular, Kai Tak and Aberdeen (Wong Chuk Hang) ranked as the number one and two districts, respectively, in terms of new project sales values.

It is abundantly clear that in the post-relaxation era, the Group needs a new set of sales strategies. For example, more emphasis will be put on those popular areas among Mainland buyers. The Group's management team will keep analysing market conditions and make prudent decisions about how to capture the business opportunities, while maximising value.

In recent years, the Group has continued to make progress on the fronts of sales management, digital marketing, and the expansion of the scope of services. After a series of personnel changes in the sales management teams in Hong Kong, Macau and Mainland China, sales productivity and synergies among business units have improved further.

Furthermore, the Group's internal IT sales platform provides our agents the access to the information of the properties from all districts, increasing the frontline staff's mobility and flexibility. Meanwhile, the Group's marketing function has become progressively digital. One of the greatest achievements is the increase in the usage of the digital platforms among the Group's frontline staff. Thanks to the Hong Kong government's effort, Mainlanders have been coming to Hong Kong in droves for work and living. With notable foresight, the Group made a proactive move and set up an education consultancy unit a few years ago, helping clients' children to find schools in Hong Kong.

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 2024, the Group had cash and bank balances of HK$664,582,000 (as at 31 December 2023: HK$532,147,000).

As at 30 June 2024, the interest-bearing borrowings of the Group amounted to HK$361,000,000 (as at 31 December 2023: HK$169,890,000) and with maturity profile set out as follows:

	As at 30 June 2024 *HK$'000*	As at 31 December 2023 *HK$'000*
Bank borrowings repayable within 1 year		
With repayment on demand clause	**301,000**	-
Loans from related parties repayable within 1 year		
With repayment on demand clause	**60,000**	-
Without repayment on demand clause	**-**	169,890
	60,000	169,890
	361,000	169,890

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. Loan from a related company had been repaid in the Interim Period. Loan from Mr. WONG had been renewed on maturity and is unsecured, interest bearing and repayable on demand.

As at 30 June 2024, the net gearing ratio of the Group, which is calculated on the basis of net borrowings[1] (total borrowings less cash and bank balances) over the total equity of the Group, maintained at zero per cent (as at 31 December 2023: zero per cent). The gross gearing ratio, which is calculated on the basis of total borrowings over the total equity, is 43.0% (as at 31 December 2023: 25.9%). Increase in gross gearing ratio was mainly due to the increase in bank borrowings to meet the short-term funding requirement for the sales of primary residential properties. The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (as at 31 December 2023: 1.1). The return on equity, which is the ratio of profit for the period over the total equity of the Group, was 20.74% (for the six months ended 30 June 2023: 5.32%).

As at 30 June 2024, the Group has unutilised borrowing facilities amounting to HK$1,102,000,000 (as at 31 December 2023: HK$1,405,000,000) 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 2024, borrowing facilities granted to the Group were secured, inter alia, by floating charge over certain receivables of the Group with carrying value of approximately HK$3,715,890,000 (as at 31 December 2023: HK$2,238,916,000).

[1] Net borrowings is zero when the amount of cash and bank balances is higher than total borrowings.

The Group's cash and bank balances are denominated in Hong Kong dollars, Renminbi and Macau Pataca and the Group's borrowings are in Hong Kong dollars. No currency hedging tool is used.

The Group's business has been conducted primarily in Hong Kong and its monetary assets and liabilities are mainly denominated in Hong Kong dollars. The Group is exposed to Renminbi exchange rate risk as the assets and liabilities of the Company's subsidiaries in Mainland China are primarily denominated in Renminbi. Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Directors consider that no hedging measure against Renminbi exchange rate exposure is necessary at this stage but will closely monitor its fluctuations.

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

As at 30 June 2024, the outstanding loan receivables was HK$1,202,000 (as at 31 December 2023: HK$1,173,000) represented loans to employees. The outstanding loan balance involved 12 cases (as at 31 December 2023: 13 cases) with different borrowers.

As at 30 June 2024, the largest outstanding loan receivable was HK$354,000 (representing approximately 29% of the outstanding loan portfolio as a whole). As at 30 June 2024, the amount of loan receivables from the five largest borrowers was HK$1,077,000, representing approximately 90% of the outstanding loan portfolio as a whole. No impairment loss on loan was made during the period (for the six months ended 30 June 2023: nil).

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

In general, each loan application must go through three stages before granting to the borrower, namely (i) document collection and verification; (ii) credit risk assessment; and (iii) approval of the credit committee.

The credit risk 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.

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.

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

In November 2023, the Competition Commission (the "Commission") commenced proceedings at the Competition Tribunal (the "Tribunal Proceedings") against the Company and certain subsidiaries and officers of the Group (the "Respondents") alleging their contravention and/or involvement in contravention of the First Conduct Rule of the Competition Ordinance (Cap. 619 of the Laws of Hong Kong) during the period allegedly from late 2022 to early 2023.

As advised by the legal advisors of the Group, the Tribunal Proceedings are currently subject to judicial challenge due to two parallel applications of Judicial Review (the "JR Application") and Permanent Stay of Proceedings (the "Stay Application") lodged by the Company and its two subsidiaries against the Commission on 18 March 2024. Leave for JR Application was granted by the High Court on 20 March 2024 after the applications. The substantive hearing for both JR Application and Stay Application was heard on 8 and 9 August 2024. The Court indicated that judgment of the two applications will likely be delivered by 8 November 2024. The outcome of these two applications would have a significant impact on the Tribunal Proceedings, including permanent stay or dismissal of the whole case.

On the other hand, the Tribunal Proceedings are still at an early stage, and the Respondents are not required to file their defence documents or any other pleadings pending the outcome of the JR Application and the Stay Application. The trial (if allowed to proceed) will not take place anytime earlier than the third quarter of 2025, and is highly subject to the outcome of the aforesaid two applications.

In addition to pursuing the JR Application and the Stay Application, the Company shall continue to defend the Tribunal Proceedings vigorously. As such, it is not practicable to make a sufficiently reliable estimation of the potential liability (if any) due to the high degree of uncertainty. Taking into account all relevant circumstances, no provision is made in the condensed consolidated interim financial statements of the Group as at 30 June 2024.

Apart from disclosed above, 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 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 interim financial statements to cover any potential liabilities or that no provision is required 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 2024, the Group employed 4,670 full time employees (as at 31 December 2023: 4,731) of which 4,013 were sales agents, 399 were back office supportive employees and 258 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 2023: 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 C1 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 C3 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.

PUBLICATION OF 2024 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midland.com.hk). The Company's 2024 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

I would like to take this opportunity to express my heartfelt gratitude to our staff across the Group for their unwavering dedication and persistence, and to our clients and partners for their ongoing support. Our collective strength has allowed us to successfully brave the worst of the storm and will continue to drive us towards a brighter future.

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

Hong Kong, 27 August 2024

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. SZE Ka Ming; and three are Independent Non-Executive Directors, namely Mr. HO Kwan Tat, Ted, Mr. SUN Tak Chiu and Mr. CHAN Nim Leung Leon.