

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “Board”) of Midland Holdings Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenues	3(a)	4,082,694	3,115,143
Other income, net	4	5,264	13,598
Rebates		(1,432,983)	(759,466)
Staff costs		(1,867,059)	(1,872,619)
Advertising and promotion expenses		(103,107)	(117,043)
Operating lease charges in respect of office and shop premises		(33,388)	(44,310)
Amortisation of right-of-use assets		(430,413)	(597,709)
Depreciation of property and equipment		(46,195)	(53,467)
Net (impairment losses)/reversal of impairment on financial assets		(9,250)	5,611
Other operating costs	5	(183,466)	(262,313)
Operating loss		(17,903)	(572,575)
Bank interest income		3,835	176
Interest on bank borrowings, overdrafts and other borrowings		(12,988)	(14,355)
Interest on lease liabilities		(15,993)	(18,997)
Share of results of joint ventures		13,840	16,950
Loss before taxation		(29,209)	(588,801)
Taxation	6	(12,707)	54,830
Loss for the year attributable to equity holders		(41,916)	(533,971)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	8		
Basic		(5.85)	(74.46)
Diluted		(5.85)	(74.46)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to equity holders	(41,916)	(533,971)
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	(7)	(175)
Remeasurement of post-employment benefit obligation	1,026	26,386
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	13,840	5,812
Other comprehensive income for the year, net of tax	14,859	32,023
Total comprehensive loss for the year attributable to equity holders, net of tax	(27,057)	(501,948)

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023**

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property and equipment		119,990	154,632
Right-of-use assets		263,342	496,144
Investment properties		30,284	50,718
Interests in joint ventures		11,670	14,330
Financial assets at fair value through other comprehensive income		668	988
Deferred tax assets		69,749	72,846
Loan receivables	9	989	2,970
Other non-current asset		10,110	10,110
		506,802	802,738
Current assets			
Trade and other receivables	10	2,529,671	2,551,317
Taxation recoverable		383	121
Loan receivables	9	184	16,712
Cash and cash equivalents		532,147	450,666
Assets held for sales		-	3,862
		3,062,385	3,022,678
Total assets		3,569,187	3,825,416

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity holders			
Share capital		71,709	71,709
Share premium		222,235	222,235
Reserves		363,247	390,304
Total equity		<u>657,191</u>	<u>684,248</u>
Non-current liabilities			
Other payables and accruals		41,966	44,088
Borrowings		-	173,636
Deferred tax liabilities		8,241	9,203
Lease liabilities		65,001	144,669
		<u>115,208</u>	<u>371,596</u>
Current liabilities			
Trade and other payables	<i>11</i>	2,400,700	2,316,819
Borrowings		169,890	54,600
Lease liabilities		221,948	395,356
Taxation payable		4,250	2,797
		<u>2,796,788</u>	<u>2,769,572</u>
Total liabilities		<u>2,911,996</u>	<u>3,141,168</u>
Total equity and liabilities		<u>3,569,187</u>	<u>3,825,416</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

This audited consolidated annual results has been approved by the Board on 26 March 2024.

2 Basis of preparation

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

(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

(a) Revenues

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
- Agency fee	4,063,351	3,095,311
- Immigration consultancy services	10,739	9,198
- Web advertising	1,358	1,466
- Other services	4,236	4,671
	<u>4,079,684</u>	<u>3,110,646</u>
Revenues from other sources		
- Rental income	1,810	2,426
- Interest income from loan receivables	1,200	2,071
	<u>4,082,694</u>	<u>3,115,143</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenues from property agency business	4,063,351	3,095,311
Rebates (note)	<u>(1,432,983)</u>	<u>(759,466)</u>
Revenues less rebates	2,630,368	2,335,845
Net segment operating costs and income	<u>(2,660,261)</u>	<u>(2,891,872)</u>
Segment results of property agency business (as below)	<u>(29,893)</u>	<u>(556,027)</u>

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

(b) Segment information

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

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Year ended 31 December 2023				
	Property agency		Subtotal HK\$'000	Others HK\$'000	Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000			
Segment revenues	4,022,117	41,234	4,063,351	26,260	4,089,611
Inter-segment revenues	-	-	-	(6,917)	(6,917)
Revenues from external customers	4,022,117	41,234	4,063,351	19,343	4,082,694
Timing of revenue recognition					
- At a point in time	4,022,117	41,234	4,063,351	4,236	4,067,587
- Over time	-	-	-	12,097	12,097
Rental income	-	-	-	1,810	1,810
Interest income from loan receivables	-	-	-	1,200	1,200
	4,022,117	41,234	4,063,351	19,343	4,082,694
Revenues	4,022,117	41,234	4,063,351	19,343	4,082,694
Rebates	(1,420,295)	(12,688)	(1,432,983)	-	(1,432,983)
Revenues less rebates	2,601,822	28,546	2,630,368	19,343	2,649,711
Segment results	(20,310)	(9,583)	(29,893)	43,572	13,679
Amortisation of right-of-use assets	(429,016)	(1,360)	(430,376)	(37)	(430,413)
Depreciation of property and equipment	(44,123)	(1,032)	(45,155)	(575)	(45,730)
Net impairment losses on financial assets	(8,478)	(772)	(9,250)	-	(9,250)
Share of results of joint ventures	-	-	-	13,840	13,840
Net fair value losses on investment properties	-	-	-	(2,456)	(2,456)
Impairment losses on right-of-use assets, net of reversals	(7,824)	(2,019)	(9,843)	-	(9,843)
Impairment losses on property and equipment	(2,244)	(476)	(2,720)	-	(2,720)
Net (loss)/gain on disposal of property and equipment	(2,209)	(242)	(2,451)	19,465	17,014
Gain on disposal of assets held for sales	-	-	-	10,512	10,512
Additions to property and equipment	19,982	112	20,094	295	20,389

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Year ended 31 December 2022				
	Property agency			Others HK\$ '000	Total HK\$ '000
	Residential properties HK\$ '000	Commercial and industrial properties and shops HK\$ '000	Subtotal HK\$ '000		
Segment revenues	3,060,654	34,657	3,095,311	27,500	3,122,811
Inter-segment revenues	-	-	-	(7,668)	(7,668)
Revenues from external customers	3,060,654	34,657	3,095,311	19,832	3,115,143
Timing of revenue recognition					
- At a point in time	3,060,654	34,657	3,095,311	4,671	3,099,982
- Over time	-	-	-	10,664	10,664
Rental income	-	-	-	2,426	2,426
Interest income from loan receivables	-	-	-	2,071	2,071
	3,060,654	34,657	3,095,311	19,832	3,115,143
Revenues	3,060,654	34,657	3,095,311	19,832	3,115,143
Rebates	(751,102)	(8,364)	(759,466)	-	(759,466)
Revenues less rebates	2,309,552	26,293	2,335,845	19,832	2,355,677
Segment results	(539,755)	(16,272)	(556,027)	9,636	(546,391)
Amortisation of right-of-use assets	(595,351)	(2,358)	(597,709)	-	(597,709)
Depreciation of property and equipment	(51,021)	(1,243)	(52,264)	(738)	(53,002)
Net reversal of impairment/ (impairment losses) on financial assets	3,489	2,174	5,663	(52)	5,611
Share of results of joint ventures	-	-	-	16,950	16,950
Fair value losses on investment properties	-	-	-	(8,755)	(8,755)
Impairment losses on right-of-use assets, net of reversals	(18,554)	(1,634)	(20,188)	-	(20,188)
Impairment losses on property and equipment	(3,807)	(618)	(4,425)	-	(4,425)
Net loss on disposal of property and equipment	(1,402)	(147)	(1,549)	-	(1,549)
Additions to property and equipment	55,591	1,735	57,326	19	57,345

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)

(b) 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 consolidated income statement.

A reconciliation of segment results to loss before taxation is provided as follows:

	2023	2022
	HK\$'000	HK\$'000
Segment results for reportable segments	13,679	(546,391)
Corporate expenses	(33,735)	(40,183)
Government subsidy	-	11,952
Bank interest income	3,835	176
Interest on bank borrowings, overdrafts and other borrowings	(12,988)	(14,355)
	<u>(29,209)</u>	<u>(588,801)</u>
Loss before taxation per consolidated income statement	<u>(29,209)</u>	<u>(588,801)</u>

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. Sets out below is an analysis of assets and liabilities by reporting segments:

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

	As at 31 December 2022				
	Property agency			Others HK\$'000	Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Subtotal HK\$'000		
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:

	2023 HK\$'000	2022 HK\$'000
Segment assets	3,054,148	3,299,707
Corporate assets	434,512	441,765
Deferred tax assets	69,749	72,846
Other non-current asset	10,110	10,110
Financial assets at fair value through other comprehensive income	668	988
Total assets per consolidated balance sheet	3,569,187	3,825,416

Reportable segment liabilities are reconciled to total liabilities as follows:

	2023 HK\$'000	2022 HK\$'000
Segment liabilities	2,724,912	2,895,380
Corporate liabilities	178,843	236,585
Deferred tax liabilities	8,241	9,203
Total liabilities per consolidated balance sheet	2,911,996	3,141,168

3 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenues from external customers		
Hong Kong and Macau	3,786,954	2,824,672
Mainland China	295,740	290,471
	4,082,694	3,115,143

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

4 Other income, net

	2023 HK\$'000	2022 <i>HK\$'000</i>
Net fair value losses on investment properties	(2,456)	(8,755)
Government subsidy	-	11,952
License fee income	1,325	1,380
Others	6,395	9,021
	5,264	13,598

Subsidy received under the Employment Support Scheme during the year ended 31 December 2022 of HK\$11,952,000 (2023: nil) were 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:

	2023 HK\$'000	2022 <i>HK\$'000</i>
Direct operating expenses arising from investment properties that:		
– generated rental income	183	142
– did not generate rental income	31	56
Office and branch operating expenses (note (i))	98,451	126,060
Government rent and rates, building management fee of leased properties	44,056	51,452
Legal and professional fees	18,550	11,094
Staff recruitment, training and welfare	7,196	7,621
Insurance expenses	10,170	19,676
Bank charges	13,281	11,058
Impairment losses on right-of-use assets, net of reversals (note (ii))	9,843	20,188
Impairment losses on property and equipment (note (ii))	2,720	4,425
Net (gain)/loss on disposal of property and equipment	(17,014)	1,549
Gain on disposal of assets held for sales	(10,512)	-
Net foreign exchange loss	3,046	743
Donations	724	905
Auditor's remuneration		
– audit services	1,900	2,357
– interim results review	573	573
	=====	=====

Notes:

- (i) Office and branch operating expenses include utilities expenses, communication expenses, printing and stationery, transportation, licence fee and repair and maintenance.
- (ii) The Group regards each 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 Taxation

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	10,507	5,943
Overseas	65	87
Deferred taxation	2,135	(60,860)
	<u>12,707</u>	<u>(54,830)</u>

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

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

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

7 Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2023 (2022: nil).

8 Loss per share

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss attributable to equity holders for the calculation of basic and diluted loss per share	<u>(41,916)</u>	<u>(533,971)</u>
Weighted average number of shares for the calculation of basic and diluted loss per share (thousands)	<u>717,086</u>	<u>717,086</u>
Loss per share (HK cents)	<u>(5.85)</u>	<u>(74.46)</u>
Diluted loss per share (HK cents)	<u>(5.85)</u>	<u>(74.46)</u>

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

Diluted loss per share adjusts the figures used in the determination of basic loss 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 arising from the exercise of share options of the Company.

For the years ended 31 December 2023 and 2022, the diluted loss per share is the same as the basic loss per share as the exercise of share options of the Company would have an anti-dilutive effect.

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	184	16,712
Over 1 year but less than 2 years	582	310
Over 2 years but less than 3 years	27	2,660
Over 3 years	380	-
	<u>1,173</u>	<u>19,682</u>

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

10 Trade and other receivables

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current (not yet due)	2,187,987	2,129,083
Less than 30 days past due	25,911	40,906
31 to 60 days past due	28,647	17,377
61 to 90 days past due	5,360	15,759
More than 90 days past due	57,173	73,826
	<hr/> 2,305,078 <hr/>	<hr/> 2,276,951 <hr/>

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\$295,165,000 (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 year end. All the remaining commissions and rebate payables are not yet due.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that for the year ended 31 December 2023, it recorded a revenue of approximately HK\$4,083 million, representing an increase of 31% as compared with the year ended 31 December 2022. Loss attributable to equity holders substantially narrowed to approximately HK\$42 million for the year ended 31 December 2023 as compared to the loss attributable to equity holders of approximately HK\$534 million for the year ended 31 December 2022.

According to the figures in the Land Registry, the value of residential sales registrations in Hong Kong fell by 4.5% in the year of 2023 as compared with that in 2022. However, the Group managed to narrow its loss substantially and increase its revenue in its local operation, and such improvement was mainly attributable to:

- (1) the Group's stable market share in Hong Kong; and
- (2) efforts towards streamlining the Group's businesses in Hong Kong while maintaining the strength of the local frontline operations.

In response to the extremely difficult business conditions for the operations in Mainland China, the Group has promoted a new sales management team and initiated a series of new measures in the final quarter of 2023 (such as repositioning of business model and retrenchment of Mainland operations), and narrowed its loss from Mainland operations substantially in the final quarter of 2023.

Short-lived Recovery After Border Reopening

In 2023, the reopening of border between Mainland China and Hong Kong gave Hong Kong property market a promising start in the first few months of the year, and home prices rose. However, after the accumulative demand was absorbed, the property market slowed down as the recovery of the local economy was slower-than-expected and the gloom cast by the interest rate concerns lingered. Indeed, the market had expected several rate cuts in 2023, but the United States ("US") interest rate ended up raising four times. Meanwhile, potential buyers were attracted by the extremely high fixed deposit rates and lost interest in property investment.

Furthermore, the economic prospect was not optimistic. While the retail sector in Hong Kong saw a strong rebound in the first half of 2023 despite challenges, once the borders reopened, more and more Hong Kongers pursued outbound "revenge travel", even more have got into the habit of going north for spending, impacting local consumption. Additionally, after the pandemic, Mainland tourists prefer experience with minimum budget instead of shopping, and their overall spending power is also not as strong as before.

Decline in Property Prices after the Short-lived Recovery

The price growth registered in the beginning of 2023 soon evaporated. Dragged down by developers' volume-driven pricing strategy, home prices fell almost 6% in 2023. In the second half of 2023, most of the new projects were priced below that of the secondary home units in the same districts.

Cost Optimisation and Digital Advancement

In 2023, rising interest rates and other macroeconomic and geopolitical uncertainties brought headwinds for the development of Hong Kong property market. The Group focused on executing optimisation initiatives to improve operations and market position.

Given the extremely poor market conditions, with residential property transaction value declining by about 4.5% in 2023, the Group's business faced significant challenges. On one hand, the Group needed to maintain good quality of services and robust strength of frontline sales. On the other hand, fierce efforts were required to optimize the scale and implement cost-cutting measures.

To address the difficulties, the Group implemented cost control through strategic initiatives. We downsized the branch network, negotiated favourable lease terms, and optimized frontline staffing levels. These streamlining efforts allowed us to preserve quality client services while realizing substantial cost savings. More importantly, the strength of the Group's local frontline operations was not compromised, as the retrenchment exercises were carried out delicately and tactfully. Encouragingly, the sales productivity increased in 2023.

The Group has consistently placed a strong emphasis on online platforms, regarding it as important part of its long-term growth strategy. Our online platforms have long gained significant popularity among customers, with the number of active mobile app users surpassing that of all other property agencies. Since 2017, over 40 awards were presented to Midland Realty's website and mobile app, ranking among the top in the industry, demonstrating the Group's outstanding performance in its online platforms. In 2023, our online platforms even received international accolades and winning the top marketing honour, the overall brand champion award at the "Mob-Ex Awards 2023", outcompeting over a hundred renowned international brands.

The Group continuously updates and enhances the features of its online platforms, which have become an integral part of customers' property search journey. Despite the slower-than-expected recovery of Hong Kong property market in 2023, the number of inquiries on Midland Realty's website and mobile app has increased by over 8% as compared to year 2022, indicating sustained or even growing interest in properties among customers.

Strengthened Management

Last year, the Group took meaningful steps to enhance its corporate leadership and strategic planning. These included changes to the composition of the board of directors being effected with the goal of injecting fresh perspectives and expertise. The directors' experiences have made positive contributions to the Group's corporate governance, strategy formulations and more. For the Mainland operations, the Group has promoted a new sales management team and appointed a new chief executive officer who has a proven track record of success in the Hong Kong estate agency industry over the past years and has experience in optimising operations, restructuring processes and maximising performance. Before taking up the role, he served as consultant to the Group's Mainland China business. During this period, he contributed positive changes and improvements were evident, well-equipped to guide the Group's Mainland operations.

OUTLOOK

Revival of Market Activities after the Cancellation of Tightening Measures

Our Group is cautiously optimistic about the property market outlook due to several factors. On the positive front, the removal of all property tightening measures is favourable for restarting the chain of replacing property, speeding up transactions and turnover. All buyers, regardless of residency, now pay the same stamp duty rate from HK\$100 to 4.25% of the property price, with the complete removal of the New Residential Stamp Duty (NRSD) and the Buyer's Stamp Duty (BSD). The removal of the Special Stamp Duty (SSD) also allows homeowners flexibility to resell their property without additional duties within two years. Moreover, the Hong Kong Monetary Authority has increased the maximum loan-to-value (LTV) ratios for various types of properties. The stress testing requirement for mortgages has been eliminated as well. Hence, the market activities have turned robust after the budget speech. Transaction volume of both primary and secondary rose substantially. More encouragingly, sales response to those leftover units has been strong. But on the negative front, the uncertain prospects for the economy, geopolitical tensions, and elevated interest rates can dampen market confidence. At the same time, the financial industry, which is a pillar industry in Hong Kong, is also struggling. Furthermore, the trend of Hong Kong people travelling northward to shop and spend in Mainland cities continues to rise, leading to a loss of consumption in Hong Kong. Nevertheless, we should stay positive in the long-term potential of the Hong Kong property market, and Hong Kong still has many advantages that can be leveraged for economic opportunities.

Strong Rental Market

While the overall property market was in bad shape in 2023, there were some bright spots. The most noticeable one was the strong rental market. Rent increased by more than 7% in 2023. Generally speaking, a weak buying and selling market would result in an increase in rental supply, which could contain rental growth. We believe that the increase in rents last year may be due to the strengthening of the underlying housing demand.

The enthusiastic response to the talent recruitment programmes was one of the government's achievements. In 2023, more than 120,000 applicants were approved to come to Hong Kong through various talent schemes. Meanwhile, the number of Hong Kong migrants may have peaked. For instance, in the first three quarters of 2023, the United Kingdom government granted 30,700 British National (Overseas) visas to Hong Kong people, on a pro rata basis, which was a significantly smaller number than that in the preceding two years. With more incoming individuals than departing ones in 2023, indicating that the downtrend of Hong Kong's population may have been reversed.

After finishing the existing rental contract, some of the newcomers may consider property ownership. Indeed, even before the cancellation of imposition of hefty tax, the housing demand from Mainland buyers had already been strong. In the first nine months of 2023, the total value of both new and secondary units bought by Mainlanders or newcomers increased, while the total value of units bought by the locals fell. The Group expects Mainland buyers to continue providing support to the market in 2024.

Marco-economic Environments

After the aggressive rate hikes by central banks around the world in 2022 and 2023 to curb surging consumer prices, some signs show that inflation may be peaking in the US. The US Federal Reserve has signaled that there is room for cutting rates. In 2022 and 2023, amid rising interest rates and global economic headwinds, Hong Kong's property market slowed significantly. If the US Federal Reserve decides to pause its rate hiking cycle or even cut rates in 2024 in response to falling inflation, some pressure on Hong Kong's property market could be relieved.

Recent engagements between high-level economic officials from the US and Mainland China signify the efforts by both sides to stabilise the business environment and improve the economic relationship. However, the upcoming US presidential election may present a source of uncertainty, as campaign rhetoric could impact US-Mainland China relations.

Despite facing a series of challenges, the Mainland Chinese economy remains on a growing path. While GDP achieved a 5.2% growth in 2023, the central government has been implementing further policy support to ensure the continuation of stable growth. The People's Bank of China has also cut bank's deposit reserve requirement ratio to free up liquidity for lending. More stimulus measures in the Mainland are anticipated, such as additional reserve cuts or more fiscal spending, seek to offset downside risks and strengthen economic fundamentals.

If the US Federal Reserve cuts interest rates in 2024, housing demand in Hong Kong's property market is likely to be stimulated. Ongoing engagement between the US and Mainland China aims to contain geopolitical risks, which could also lift homebuyers' confidence if tensions ease. Meanwhile, signs that Mainland China will continue implementing stimulus measures to ensure stable economic growth should also improve the property market outlook.

New Capital Investment Entrant Scheme

The new Capital Investment Entrant Scheme has been opened for application in March 2024. The new scheme requires the applicants to make investment of at least HK\$30 million in permissible investment asset. A point worth mentioning is that non-residential property is included as one of the qualified investments which is subject to a cap of HK\$10 million. Moreover, applicants of this new scheme, after coming to Hong Kong, are believed to have interest in residential properties. The new scheme will provide further support to the overall property market.

All Set

In the near-term, the removal of all tightening measures and the relaxation of the mortgage loans measures may benefit the property market. But the operating environment is expected to remain challenging in the near-term given persistent macroeconomic uncertainties, the Group will focus on fighting for market share and maintaining profitability through diligent execution of its strategies. Indeed, the whole industry has been in a state of contraction, with both the number of outlets and licensed agents continuing to decline. Nevertheless, through disciplined cost optimisation and leveraging its strong brand, digital advancements and prudent resources allocation, the Group is confident to stand out in these challenging market conditions.

Looking ahead, the Group will continue to strengthen its position in both primary and secondary residential markets, and will seize the opportunities arising from the cancellation of the New Residential Stamp Duty and the Buyer's Stamp Duty. Also, the Group expects the removal of the hefty tax imposed on non-local buyers will result in an increase of the number of Mainland buyers. We are confident that our holistic platform can provide comprehensive services to the Mainland elites in working visa application and renewal, school application, and property search.

The Group welcomes the new Capital Investment Entrant Scheme announced by the government. As a comprehensive property agency group, the Group is well-positioned to capture opportunities arising from the scheme. For a start, Midland immigration consultancy possesses expertise in assisting with visa applications. With a dedicated team focusing on product risk assessment, Midland wealth management can help clients select suitable investment vehicles. Midland education consultancy aids newcomers' children in finding suitable schools locally. The Group's flagship business unit, Midland Realty, can provide rental and purchase solutions through its well-established network to the successful applicants. The all-in-one service platform formed by multiple divisions of the Group is always ready to provide comprehensive and integrated services to customers. Leveraging over 50 years of experience serving Hong Kong residents, the Group is an ideal partner for the applicants of the new scheme, providing professional services in every step of the process from the initial application to long-term living needs.

FINANCIAL REVIEW

Liquidity and financial resources

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

As at 31 December 2023, the Group had cash and bank balances of HK\$532,147,000 (2022: HK\$450,666,000).

As at 31 December 2023, the interest-bearing borrowings of the Group amounted to HK\$169,890,000 (2022: HK\$228,236,000) and with maturity profile set out as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank borrowings repayable within 1 year (with repayment on demand clause)	-	54,600
Loans from related parties repayable within 1 year	169,890	-
Loans from related parties repayable after 1 year but within 2 years	-	173,636
	<u>169,890</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. These loans will be renewed on maturity and will be unsecured, interest bearing and repayable on demand.

As at 31 December 2023, the net gearing ratio of the Group, which is calculated on the basis of net borrowings¹ (total borrowings less cash and bank balances) over the total equity of the Group, maintained at zero per cent (2022: zero per cent). The gross gearing ratio, which is calculated on the basis of total borrowings over the total equity, is 25.9% (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 (2022: 1.1). The return on equity, which is the ratio of loss for the year over the total equity of the Group, was -6.38% (2022: -78.04%).

As at 31 December 2023, the Group has unutilised borrowing facilities amounting to HK\$1,405,000,000 (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 31 December 2023, borrowing facilities granted to the Group were secured, inter alia, by floating charge over certain receivables of the Group with carrying value of approximately HK\$2,238,916,000 (2022: HK\$2,196,892,000). As at 31 December 2022, certain land and buildings held by the Group of HK\$38,709,000 (2023: nil) were also pledged to secure banking facilities granted to the Group.

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.

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

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

As at 31 December 2023, the outstanding loan receivables was HK\$1,173,000 represented loans to employees. The outstanding loan balance involved 13 cases with different borrowers.

As at 31 December 2022, the outstanding loan receivables was HK\$19,682,000 included loans to employees of HK\$3,182,000 (24 cases with different borrowers) and property mortgage loans granted to customers in Hong Kong of HK\$16,500,000 (2 cases with different borrowers).

As at 31 December 2023, the largest outstanding loan receivable was HK\$380,000 (representing approximately 32% of the outstanding loan portfolio as a whole). As at 31 December 2023, the amount of loan receivables from the five largest borrowers was HK\$1,034,000, representing approximately 88% of the outstanding loan portfolio as a whole. No impairment loss on loan was made during the year (2022: 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 has already been granted by the High Court on 20 March 2024 after the application. The substantive hearing for both JR Application and Stay Application shall take place in August 2024, and 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 consolidated financial statements of the Group as at 31 December 2023.

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 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 consolidated financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

EMPLOYEE INFORMATION

As at 31 December 2023, the Group employed 4,731 full time employees (2022: 5,705) of which 4,051 were sales agents, 407 were back office supportive employees and 273 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as set out in the Corporate Governance Code stated in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2023.

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 year ended 31 December 2023.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF 2023 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midland.com.hk). The 2023 Annual Report will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

2023 is a particularly tough year. I would like to give my sincere thanks to our staff across the Group for their tenacity and hard work, and to our clients and partners for their enduring support. The first rays of dawn are on the horizon. Together, we will achieve a better tomorrow.

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

Hong Kong, 26 March 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.