



**Shining Half a Century
Pioneering New Chapter**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman*)
Ms. WONG Ching Yi, Angela
(*Deputy Chairman and Managing Director*)
Mr. WONG Tsz Wa, Pierre (*Managing Director*)
Mr. CHEUNG Kam Shing

Independent Non-Executive Directors

Mr. HO Kwan Tat, Ted
Mr. SUN Tak Chiu
Mr. WONG San

AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted (*Committee Chairman*)
Mr. SUN Tak Chiu
Mr. WONG San

REMUNERATION COMMITTEE

Mr. SUN Tak Chiu (*Committee Chairman*)
Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. HO Kwan Tat, Ted
Mr. WONG San

NOMINATION COMMITTEE

Mr. HO Kwan Tat, Ted (*Committee Chairman*)
Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. SUN Tak Chiu
Mr. WONG San

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela
Mr. SZE Ka Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor
Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
OCBC Wing Hang Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.midland.com.hk

STOCK CODE

1200

Chairman's Statement

Business Review

Midland Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") announce that for the six months ended 30 June 2023 (the "Interim Period"), the Group recorded a revenue of approximately HK\$2,354 million, representing a 37% increase as compared with that for the corresponding period in 2022, and profit attributable to equity holders amounted to approximately HK\$39 million (loss attributable to equity holders for the six months ended 30 June 2022: approximately HK\$232 million).

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

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

Economy Not Fully Recovered Yet

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

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

Losing Steam Since Second Quarter

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

Chairman's Statement (continued)

Business Review (continued)

Property Prices Softening

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

Outlook

Bumpy Road to Recovery

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

Potential Market Improvements

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

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

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

Chairman's Statement (continued)

Outlook (continued)

New Demand and Rents Outperforming Prices

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

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

Appreciation

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

WONG Kin Yip, Freddie
Chairman

Hong Kong, 30 August 2023

Strategic Review and Planning

Improvements in Operation Efficiency

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

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

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

Riding on Market Trend

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

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

WONG Ching Yi, Angela
Deputy Chairman and Managing Director

Management Discussion and Analysis

The Chairman's Statement from pages 3 to 5 and the Strategic Review and Planning on page 6 form part of the Management Discussion and Analysis.

Financial Review

Liquidity and financial resources

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

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

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

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Bank borrowings repayable within 1 year (with repayment on demand clause)	33,400	54,600
Loans from related parties repayable within 1 year	167,527	–
Loans from related parties repayable after 1 year but within 2 years	–	173,636
	<u>200,927</u>	<u>228,236</u>

During the year ended 31 December 2022, the Group entered into loan agreements with Mr. WONG Kin Yip, Freddie ("Mr. WONG"), a director and the controlling shareholder of the Company, and a company of which Mr. WONG is the ultimate beneficial owner, to obtain financing. These loans are not secured by any assets of the Group and will mature in April 2024.

As at 30 June 2023, the net gearing ratio of the Group, which is calculated on the basis of net borrowings¹ (total borrowings less cash and bank balances) over the total equity of the Group, maintained at zero per cent (as at 31 December 2022: zero per cent). The gross gearing ratio, which is calculated on the basis of total borrowings over the total equity, is 27.4% (as at 31 December 2022: 33.4%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (as at 31 December 2022: 1.1). The return on equity, which is the ratio of profit/(loss) for the period over the total equity of the Group, was 5.32% (for the six months ended 30 June 2022: -24.22%).

As at 30 June 2023, the Group has unutilised borrowing facilities amounting to HK\$2,598,400,000 (as at 31 December 2022: HK\$2,577,200,000) from various banks. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company (the "Directors") will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

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

Management Discussion and Analysis (continued)

Financial Review (continued)

Liquidity and financial resources (continued)

As at 30 June 2023, certain land and buildings held by the Group of HK\$38,477,000 (as at 31 December 2022: HK\$38,709,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured, inter alia, by floating charge over certain receivables of the Group with carrying value of approximately HK\$2,630,409,000 (as at 31 December 2022: HK\$2,196,892,000).

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

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

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

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

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

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

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

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

Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

Contingent Liabilities

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

Employee Information

As at 30 June 2023, the Group employed 5,362 full time employees (as at 31 December 2022: 5,705) of which 4,606 were sales agents, 451 were back office supportive employees and 305 were frontline supportive employees.

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

Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2023, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or otherwise, were as follows:

Long positions in the shares and underlying shares of the Company

Name of Directors	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued voting shares of the Company
	Corporate interest/ Interest of controlled corporations	Personal interest/ Beneficial owner <i>(Note 1)</i>		
Mr. WONG Kin Yip, Freddie	265,525,824 <i>(Note 2)</i>	4,587,150	270,112,974	37.67%
Ms. WONG Ching Yi, Angela	–	4,587,150	4,587,150	0.64%

Notes:

- These underlying shares (being physically settled unlisted derivatives) were held by the Director(s) by virtue of the interests in the share options of the Company granted to him/her. Details of the share options granted by the Company to the above Directors are set out in the section headed "Share Option Scheme" in this interim report.
- These shares were held by Sunluck Services Limited which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited.

Save as disclosed above, as at 30 June 2023, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (continued)

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this interim report, at no time during the Interim Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2023, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholders	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Ms. TANG Mei Lai, Metty <i>(Note 1)</i>	270,112,974 (L)	Interest of spouse/Family interest	37.67%
Southern Field Trading Limited <i>(Note 2)</i>	265,525,824 (L)	Interest of controlled corporation/ Corporate interest	37.03%
Sunluck Services Limited <i>(Note 2)</i>	265,525,824 (L)	Beneficial owner/Beneficial interest	37.03%
Sun Life Financial, Inc. <i>(Note 3)</i>	93,766,100 (L)	Interest of controlled corporations/ Corporate interest	13.08%
Sun Life of Canada (U.S.) Financial Services Holdings, Inc. <i>(Note 3)</i>	93,766,100 (L)	Interest of controlled corporations/ Corporate interest	13.08%
Massachusetts Financial Services Company <i>(Note 3)</i>	89,710,100 (L) 4,056,000 (L)	Investment manager/Other interest Interest of controlled corporations/ Corporate interest	12.51% 0.57%
LAM Yuen Hing <i>(Note 4)</i>	32,040,000 (L) 19,140,000 (L)	Beneficial owner/Beneficial interest Interest of spouse/Family interest	4.47% 2.67%

Remark: (L) – Long Position

Other Information (continued)

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (continued)

Notes:

- Such interests comprise (i) 265,525,824 ordinary shares held indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty; and (ii) 4,587,150 underlying shares (being physically settled unlisted derivatives) held by Mr. WONG Kin Yip, Freddie by virtue of the interests in the share options of the Company granted to him, as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" in this interim report. Accordingly, Ms. TANG Mei Lai, Metty was deemed to be interested in the same block of ordinary shares and underlying shares of the Company in which Mr. WONG Kin Yip, Freddie was deemed to be interested.
- The two references to 265,525,824 ordinary shares relate to the same block of ordinary shares of the Company deemed to be interested by Mr. WONG Kin Yip, Freddie as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this interim report. Southern Field Trading Limited was deemed to be interested in such ordinary shares of the Company held by Sunluck Services Limited.
- Details of the interest in long position of the 93,766,100 ordinary shares in which Sun Life Financial, Inc. ("SLF") was deemed to be interested were as follows:

Massachusetts Financial Services Company ("MFS") was interested in (through itself and its 100% controlled corporations) an aggregate of 93,766,100 ordinary shares. MFS was a 95.99% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. ("SLCFS") which was a 99.92% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(USI)"). SLF(USI) was an indirect wholly-owned subsidiary of SLF.

MFS was a subsidiary of SLCFS and SLF. Accordingly, SLCFS and SLF were deemed to be interested in the same number of ordinary shares deemed to be interested by MFS.
- Such long position includes interests in ordinary shares only.

Save as disclosed above, as at 30 June 2023, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Other Information (continued)

Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 23 June 2016, the Company adopted the share option scheme (the “Share Option Scheme”).

Movements in the outstanding share options of the Company granted under the Share Option Scheme during the Interim Period were as follows:

Name	Date of grant (Note 1)	Exercise price per share HK\$	Number of share options					Balance outstanding as at 30 June 2023	Exercisable period
			Balance outstanding as at 1 January 2023	Granted during the Interim Period	Lapsed during the Interim Period	Cancelled during the Interim Period	Exercised during the Interim Period		
Directors									
Mr. WONG Kin Yip, Freddie	17 January 2020	1.09	4,587,150	-	-	-	-	4,587,150	17 January 2021 to 16 January 2028
Ms. WONG Ching Yi, Angela	17 January 2020	1.09	4,587,150	-	-	-	-	4,587,150	17 January 2021 to 16 January 2028
Total			9,174,300	-	-	-	-	9,174,300	

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercisable period.
- The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

The number of share options available for grant under the scheme mandate of the Share Option Scheme as at 1 January 2023 and 30 June 2023 was 26,728,000 shares (representing approximately 3.72% of the issued shares of the Company as at the respective dates).

Other Information (continued)

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.

Interim Dividend

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

Review of Financial Statements

The audit committee of the Company has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited condensed consolidated interim financial information of the Group for the Interim Period from pages 15 to 40 in this interim report in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee of the Company has also reviewed this interim report.

Change in Director's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of a Director subsequent to the date of the 2022 annual report of the Company is set out below:

Mr. HO Kwan Tat, Ted retired as an Independent Non-Executive Director of Legend Upstar Holdings Limited (a company listed on the Main Board of the Stock Exchange) with effect from 8 June 2023.

Corporate Governance

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to 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.

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.

Condensed Consolidated Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit/(loss) for the period attributable to equity holders	39,059	(231,980)
Other comprehensive (loss)/income		
<i>Item that will not be reclassified to profit or loss</i>		
Change in fair value of financial assets at fair value through other comprehensive income	(11)	(269)
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	10,490	3,675
Other comprehensive income for the period, net of tax	10,479	3,406
Total comprehensive income/(loss) for the period attributable to equity holders, net of tax	49,538	(228,574)

Condensed Consolidated Balance Sheet (Unaudited)

AS AT 30 JUNE 2023

	Note	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
ASSETS			
Non-current assets			
Property and equipment	9	133,041	154,632
Right-of-use assets		331,223	496,144
Investment properties	10	36,322	50,718
Interests in joint ventures		21,872	14,330
Financial assets at fair value through other comprehensive income		664	988
Financial assets at fair value through profit or loss		10,110	10,110
Deferred tax assets		64,022	72,846
Loan receivables	11	2,352	2,970
		<u>599,606</u>	<u>802,738</u>
Current assets			
Trade and other receivables	12	2,969,477	2,551,317
Taxation recoverable		311	121
Loan receivables	11	16,266	16,712
Cash and cash equivalents		449,582	450,666
Assets held for sales	9	–	3,862
		<u>3,435,636</u>	<u>3,022,678</u>
Total assets		<u>4,035,242</u>	<u>3,825,416</u>

Condensed Consolidated Balance Sheet (Unaudited) (continued)

AS AT 30 JUNE 2023

		As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
	Note		
EQUITY AND LIABILITIES			
Equity holders			
Share capital	13	71,709	71,709
Share premium		222,235	222,235
Reserves		439,842	390,304
Total equity		<u>733,786</u>	<u>684,248</u>
Non-current liabilities			
Other payables and accruals	14	41,302	44,088
Borrowings	15	–	173,636
Deferred tax liabilities		8,479	9,203
Lease liabilities		86,132	144,669
		<u>135,913</u>	<u>371,596</u>
Current liabilities			
Trade and other payables	14	2,686,923	2,316,819
Borrowings	15	200,927	54,600
Lease liabilities		273,142	395,356
Taxation payable		4,551	2,797
		<u>3,165,543</u>	<u>2,769,572</u>
Total liabilities		<u>3,301,456</u>	<u>3,141,168</u>
Total equity and liabilities		<u>4,035,242</u>	<u>3,825,416</u>

Condensed Consolidated Statement of Changes in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Total HK\$'000
At 1 January 2023	71,709	222,235	390,304	684,248
Comprehensive income				
Profit for the period	–	–	39,059	39,059
Other comprehensive (loss)/income				
Change in fair value of financial assets at fair value through other comprehensive income	–	–	(11)	(11)
Currency translation differences	–	–	10,490	10,490
Total comprehensive income	–	–	49,538	49,538
At 30 June 2023	71,709	222,235	439,842	733,786
At 1 January 2022	71,709	222,235	892,252	1,186,196
Comprehensive loss				
Loss for the period	–	–	(231,980)	(231,980)
Other comprehensive (loss)/income				
Change in fair value of financial assets at fair value through other comprehensive income	–	–	(269)	(269)
Currency translation differences	–	–	3,675	3,675
Total comprehensive loss	–	–	(228,574)	(228,574)
At 30 June 2022	71,709	222,235	663,678	957,622

Condensed Consolidated Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash generated from operations	258,590	100,873
Hong Kong profits tax paid	(3,418)	(1,317)
Overseas taxation paid	(65)	–
Borrowings and overdrafts interest paid	(6,995)	(3,816)
Interest element of lease payments	(7,699)	(9,190)
Net cash generated from operating activities	<u>240,413</u>	<u>86,550</u>
Cash flows from investing activities		
Purchase of property and equipment	(11,780)	(31,043)
Proceeds from disposal of property and equipment and assets held for sales	36,886	–
Proceeds from disposal of investment properties	12,000	–
Return of capital from financial assets at fair value through other comprehensive income	313	247
Bank interest received	195	143
Dividend received from a joint venture	–	22,588
Purchase of financial assets at fair value through profit or loss	–	(10,110)
Net cash generated from/(used in) investing activities	<u>37,614</u>	<u>(18,175)</u>
Cash flows from financing activities		
Principal element of lease payments	(250,956)	(320,365)
Proceeds from borrowings	410,000	2,745,000
Repayment of borrowings	(431,200)	(2,262,760)
Net cash (used in)/generated from financing activities	<u>(272,156)</u>	<u>161,875</u>
Net increase in cash and cash equivalents	5,871	230,250
Cash and cash equivalents at 1 January	450,666	1,505,527
Exchange differences	(6,955)	(1,697)
Cash and cash equivalents at 30 June	<u>449,582</u>	<u>1,734,080</u>

Notes to the Condensed Consolidated Interim Financial Information (Unaudited)

1 General information

Midland Holdings Limited (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 Company and its subsidiaries (together, the “Group”) are the provision of property agency services in Hong Kong, Mainland China and Macau, property leasing, immigration consultancy services and money lending services.

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

This unaudited condensed consolidated interim financial information was approved by the board of directors (the “Board”) on 30 August 2023.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared under the historical cost convention as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group’s consolidated financial statements for the year ended 31 December 2022, except for the adoption of the new or amended HKFRSs and HKASs which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2023.

Significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

(a) New and amended standards effective in 2023

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

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	
	2023	2022
	HK\$'000	HK\$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Agency fee	2,346,819	1,705,627
– Immigration consultancy services	2,694	5,185
– Web advertising	275	108
– Other services	2,180	1,900
	<u>2,351,968</u>	<u>1,712,820</u>
Revenues from other sources		
– Rental income	1,096	1,249
– Interest income from loan receivables	888	1,094
	<u>1,984</u>	<u>2,343</u>
Total revenues	<u>2,353,952</u>	<u>1,715,163</u>

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information (continued)

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

	Six months ended 30 June 2023				
	Property agency			Others HK\$'000	Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Subtotal 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)
Net (loss)/gain on disposal of property and equipment and assets held for sales	(1,344)	(88)	(1,432)	29,977	28,545
Additions to property and equipment	11,376	111	11,487	293	11,780

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information (continued)

	Six months ended 30 June 2022				
	Property agency				
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Subtotal HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenues	1,692,862	12,765	1,705,627	13,370	1,718,997
Inter-segment revenues	–	–	–	(3,834)	(3,834)
Revenues from external customers	1,692,862	12,765	1,705,627	9,536	1,715,163
Timing of revenue recognition					
– At a point in time	1,692,862	12,765	1,705,627	1,900	1,707,527
– Over time	–	–	–	5,293	5,293
Rental income	–	–	–	1,249	1,249
Interest income from loan receivables	–	–	–	1,094	1,094
	1,692,862	12,765	1,705,627	9,536	1,715,163
Revenues	1,692,862	12,765	1,705,627	9,536	1,715,163
Rebates	(414,572)	(2,641)	(417,213)	–	(417,213)
Revenues less rebates	1,278,290	10,124	1,288,414	9,536	1,297,950
Segment results	(232,993)	(6,899)	(239,892)	5,916	(233,976)
Amortisation of right-of-use assets	(301,441)	(585)	(302,026)	–	(302,026)
Depreciation of property and equipment	(24,690)	(320)	(25,010)	(369)	(25,379)
Net reversal of impairment/ (impairment losses) on financial assets	2,400	255	2,655	(52)	2,603
Share of results of joint ventures	–	–	–	7,949	7,949
Fair value losses on investment properties	–	–	–	(1,916)	(1,916)
Impairment losses on right-of-use assets, net of reversals	(1,402)	(251)	(1,653)	–	(1,653)
Impairment losses on property and equipment	(1,441)	(305)	(1,746)	–	(1,746)
Loss on disposal of property and equipment	(60)	(4)	(64)	–	(64)
Additions to property and equipment	30,220	811	31,031	12	31,043

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information (continued)

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

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information (continued)

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

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

3 Revenues and segment information (continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

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

Geographical information:

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

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

4 Other income, net

	Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
Net fair value losses on investment properties (note 10)	(1,801)	(1,916)
Government subsidy	–	7,968
Others	2,907	2,427
	<u>1,106</u>	<u>8,479</u>

Subsidy received under the Employment Support Scheme during the six months ended 30 June 2022 of HK\$7,968,000 was included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to the grants.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

5 Other operating costs

The major other operating costs are as follows:

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

Notes:

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

6 Taxation

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

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

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

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

7 Interim dividend

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

8 Earnings/(loss) per share

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

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

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

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

9 Property and equipment and assets held for sales

During the six months ended 30 June 2023, the Company disposed of land and buildings with net book value of HK\$6,841,000, in which HK\$3,862,000 recorded in assets held for sales at a net sales proceed of HK\$36,818,000 (for the six months ended 30 June 2022: nil).

Land and buildings with net book value of HK\$38,477,000 (as at 31 December 2022: HK\$38,709,000) were pledged as securities for the Group's borrowing facilities.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

10 Investment properties

	HK\$'000
At 31 December 2022 and 1 January 2023	50,718
Changes in fair value recognised in the condensed consolidated income statement (note 4)	(1,801)
Disposals	(12,000)
Exchange differences	(595)
	<hr/>
At 30 June 2023	<u>36,322</u>

The valuations of the investment properties as at 30 June 2023 were undertaken by Midland Surveyors Limited (as at 31 December 2022: Jones Lang LaSalle Limited), a qualified professional valuer with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties in Hong Kong and Mainland China are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations.

As at 30 June 2023 and 31 December 2022, all investment properties are included in level 3 in the fair value hierarchy. There were no transfer between level 1, 2 and 3 during the period.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer. There were no changes to the valuation techniques and transfers among the fair value hierarchy during the period.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

10 Investment properties (continued)

Information about fair value measurements using significant unobservable inputs:

Location of investment properties	Fair value HK\$'000	Range of significant unobservable inputs	
		Prevailing market rent per month	Capitalisation rate
Hong Kong	31,430	HK\$48 to HK\$110 per sq. ft. (saleable) (31 December 2022: HK\$49 to HK\$110 per sq. ft. (saleable))	3.1% to 3.8% (31 December 2022: 3.2% to 4.0%)
Mainland China	4,892	RMB1,280 per sq. m. (gross) (31 December 2022: RMB164 to RMB1,200 per sq. m. (gross))	6.2% (31 December 2022: 5.6%)
Total	<u>36,322</u>		

Prevailing market rents are estimated based on qualified valuer's view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value. Capitalisation rates are estimated by qualified valuer based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

11 Loan receivables

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Loan receivables – loans to employees	2,518	3,182
Loan receivables – property mortgage loans	16,100	16,500
	<hr/>	<hr/>
Total loan receivables	18,618	19,682
Less: non-current portion	(2,352)	(2,970)
	<hr/>	<hr/>
Current portion	16,266	16,712
	<hr/>	<hr/>

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

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

12 Trade and other receivables

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Trade receivables	2,826,544	2,398,979
Less: loss allowance	(112,901)	(122,028)
	<hr/>	<hr/>
Trade receivables, net	2,713,643	2,276,951
Other receivables, prepayments and deposits	255,834	274,366
	<hr/>	<hr/>
	<u>2,969,477</u>	<u>2,551,317</u>

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

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

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

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\$2,630,409,000 as at 30 June 2023 (as at 31 December 2022: HK\$2,196,892,000).

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

13 Share capital

	Number of issued shares (HK\$0.10 each)	Nominal value HK\$'000
At 31 December 2022, 1 January 2023 and 30 June 2023	717,086,005	71,709

14 Trade and other payables

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Commissions and rebate payables	2,474,549	2,066,231
Other payables and accruals	253,676	294,676
	<u>2,728,225</u>	<u>2,360,907</u>
Categorised as		
Current portion	2,686,923	2,316,819
Non-current portion	41,302	44,088
	<u>2,728,225</u>	<u>2,360,907</u>

Commissions and rebate payables to property consultants, co-operative estate agents and property buyers are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$288,176,000 (as at 31 December 2022: HK\$247,949,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period end. All the remaining commissions and rebate payables are not yet due.

The management considers the balance of contract liabilities arising from immigration consultancy services is not material to the Group and hence not presented as a separate line item in the condensed consolidated financial statements.

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

15 Borrowings

The analysis of the carrying amount of interest-bearing borrowings are as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Bank borrowings with repayment on demand clause	33,400	54,600
Unsecured borrowings from related parties	167,527	173,636
Total borrowings	200,927	228,236
Less: non-current portion	–	(173,636)
Current portion	200,927	54,600

The bank borrowings facilities are secured by certain land and buildings held by the Group (note 9), certain trade receivables of the Group (note 12) and guarantees provided by the Company.

The analysis of the repayment schedule of borrowings as at the end of the reporting periods is as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Repayable within 1 year	200,927	54,600
Repayable after 1 year but within 2 years	–	173,636
	200,927	228,236

Borrowings are denominated in Hong Kong dollars and Renminbi.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) *(continued)*

16 Fair value measurement of financial instruments

The financial instruments of the Group, including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, are measured in the condensed consolidated balance sheet at fair value, by level of the following fair value measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2023 and 31 December 2022, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are categorised in level 1 and level 2 respectively.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as quoted market prices or dealer quotes for similar instruments, or discounted cash flow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

There were no transfers between levels 1, 2 and 3 during the six months ended 30 June 2023 (for the year ended 31 December 2022: nil).

17 Capital commitments

The Group did not have any significant capital commitments as at 30 June 2023 and 31 December 2022.

18 Contingent Liabilities

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

19 Significant related party transactions

The Group had the following significant transactions with related parties during the period and balances with related parties at the balance sheet date:

(a) Transactions with related parties

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Agency fee income from related companies	(i)	31,406	42,554
Rebates to related companies	(ii)	(8,383)	(11,742)
License fee income from related companies	(iii)	809	751
Agency fee to a related company	(iv)	(676)	–
Interest expenses to a director	(v)	(2,275)	–
Interest expenses to other related company	(v)	(3,054)	–

Notes:

- (i) Agency fee income from related companies represents agency fee for property agency transactions referred to related companies on terms mutually agreed by both parties.
- (ii) Rebates to related companies represents rebates for property agency transactions referred by related companies on terms mutually agreed by both parties.
- (iii) License fee income from related companies represents license fee for the use of trademark by related companies on terms mutually agreed by both parties.
- (iv) Agency fee to a related company represents agency fee for provision of property agency services by a related company on terms mutually agreed by both parties.
- (v) Interest expenses to a director/other related company represents interest expenses for borrowings provided by a director/other related company (note 19(d)) on terms mutually agreed by both parties.

The related companies referred in notes (i), (ii), (iii) and (iv) above represent subsidiaries of Legend Upstar Holdings Limited ("Legend Upstar"). Mr. WONG Kin Yip, Freddie ("Mr. WONG"), a director and controlling shareholder (as defined under the Listing Rules) of the Company, is also a director and controlling shareholder (as defined under the Listing Rules) of Legend Upstar.

During the six months ended 30 June 2023, the Group shared administrative and corporate services fee on a cost basis with an aggregate amount of HK\$7,360,000 (for the six months ended 30 June 2022: HK\$7,156,000) with subsidiaries of Legend Upstar.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

19 Significant related party transactions (continued)

- (b) During the six months ended 30 June 2023, the Group entered into a lease with a subsidiary of Legend Upstar on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK\$2,332,000 at the commencement date of the lease (for the six months ended 30 June 2022: HK\$2,420,000).

During the six months ended 30 June 2023, lease payments to certain subsidiaries of Legend Upstar under certain leases amounted to HK\$1,614,000 (for the six months ended 30 June 2022: HK\$1,756,000).

- (c) During the six months ended 30 June 2022, the Group entered into a lease with a company, of which Mr. WONG is the beneficial owner, on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK\$1,025,000 at the commencement date of the lease (for the six months ended 30 June 2023: nil).

During the six months ended 30 June 2023, lease payments to certain companies, of which Mr. WONG is the beneficial owner, under certain leases amounted to HK\$1,913,000 (for the six months ended 30 June 2022: HK\$2,697,000).

- (d) During the year ended 31 December 2022, the Group entered into loan agreements with Mr. WONG and a company, of which Mr. WONG is the ultimate beneficial owner, to obtain financing on arm's length terms with reference to prevailing marketing conditions and not secured by the assets of the Group, which were fully exempt connected transactions under the Listing Rules.

- (e) **Balances with related parties included in trade and other receivables, trade and other payables, borrowings and lease liabilities are as follows:**

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Trade and other receivables		
Amounts due from related companies (note 19(a))	31,279	35,994
Trade and other payables		
Amounts due to related companies (note 19(a))	(15,363)	(14,519)
Amount due to a director (note 19(d))	(382)	(113)
Amount due to other related company (note 19(d))	(482)	(227)
Borrowings		
Amount due to a director (note 19(d))	(60,000)	(60,000)
Amount due to other related company (note 19(d))	(107,527)	(113,636)
Lease liabilities		
Amounts due to related companies (note 19(b))	(1,686)	(2,230)
Amounts due to other related companies (note 19(c))	(1,036)	(3,120)

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) (continued)

19 Significant related party transactions (continued)**(f) Key management compensation**

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Fees, salaries, allowances and incentives	14,340	13,244
Retirement benefit costs	27	27
	<u>14,367</u>	<u>13,271</u>

The amount represents emoluments paid or payable to the Executive Directors for the period.