



MIDLAND HOLDINGS

2023 Annual Results

Annual 2023 RESULTS

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Agenda

01

Financial Highlights

02

Business Overview

03

Prospects

04

Q&A



2023 Annual Results Highlights

2023 Final Results Highlights

	2023 (HK\$' 000)	2022 (HK\$' 000)	Y o Y
Revenue	4,082,694	3,115,143	+ 31.1%
Operating Costs*	4,121,854	3,720,313	+ 10.8%
Operating Loss	(33,896)	(591,572)	- 94.3%
Loss for the Year	(41,916)	(533,971)	- 92.2%

* Excluded other income and gains, but included the interest on lease liabilities.

Reasons for the Narrowing of Loss

Sharp Narrowing of Loss

- Loss sharply narrowed by over 92%
- Market transaction value fell 4.5%

Reasons for the sharp decline in loss

01

The Group's stable market share in Hong Kong

02

Efforts towards streamlining the Group's businesses in Hong Kong while maintaining the strength of the local frontline operations.

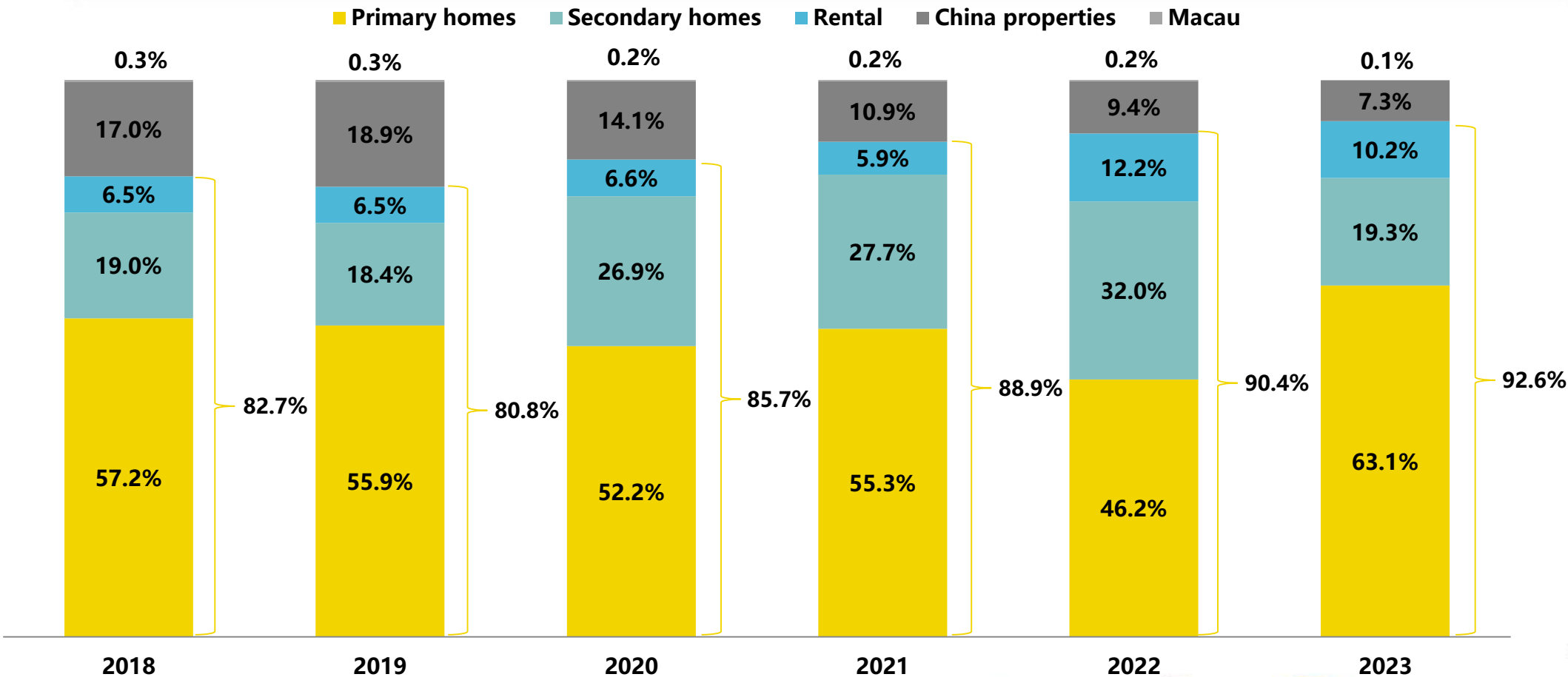
03

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.

Key Financial Highlights – Revenue

Year 2023 vs 2022

- Revenue of the HK residential market increased 34% while that from Mainland operation (agency fee only) increased 2%
- Revenue from secondary markets decreased



Changes in Costs

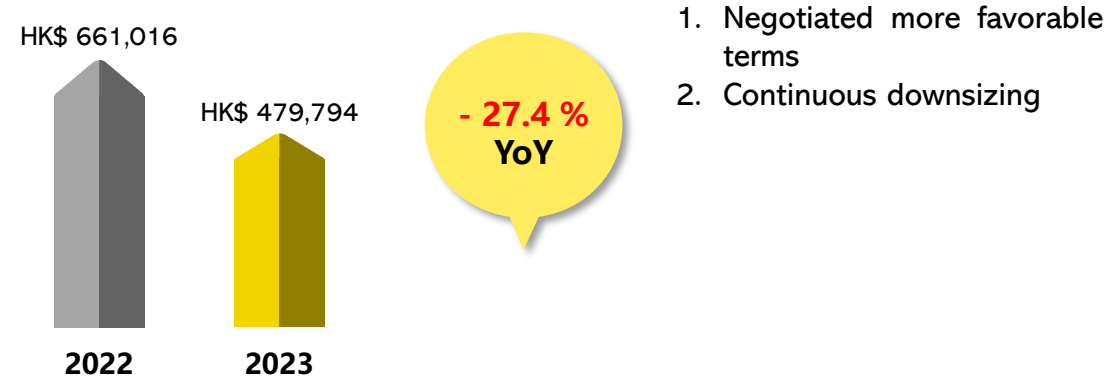
Advertisements & Promotions

(HK\$'000)



Rental Expenses*

(HK\$'000)



Frontline Staff Salaries

(HK\$'000)



Staff Commissions

(HK\$'000)



Non Sales Salaries

(HK\$'000)



* Rental expenses represented the operating lease charges, the amortization of right-of-use assets and interest expenses on lease liabilities.

Changes in Costs

Impairment of Receivables

(HK\$'000)



Rebate Incentives: To Customers

(HK\$'000)



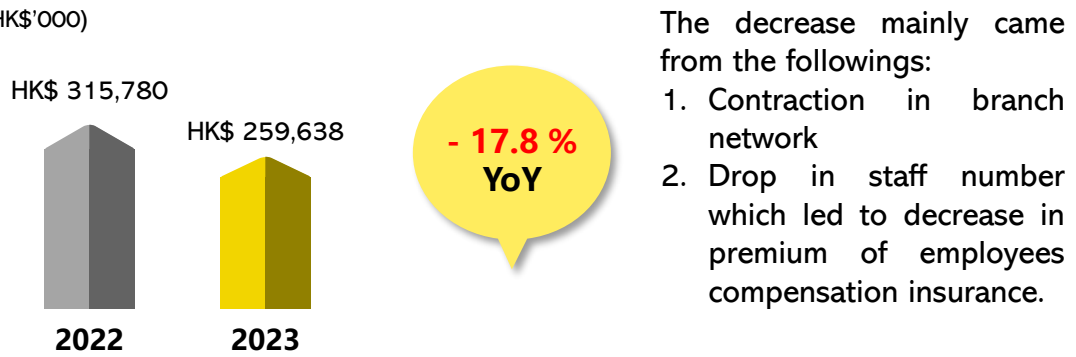
Rebate Incentives: To Co-operative Estate Agents

(HK\$'000)



Depreciation, Amortization and Other Operating Costs*

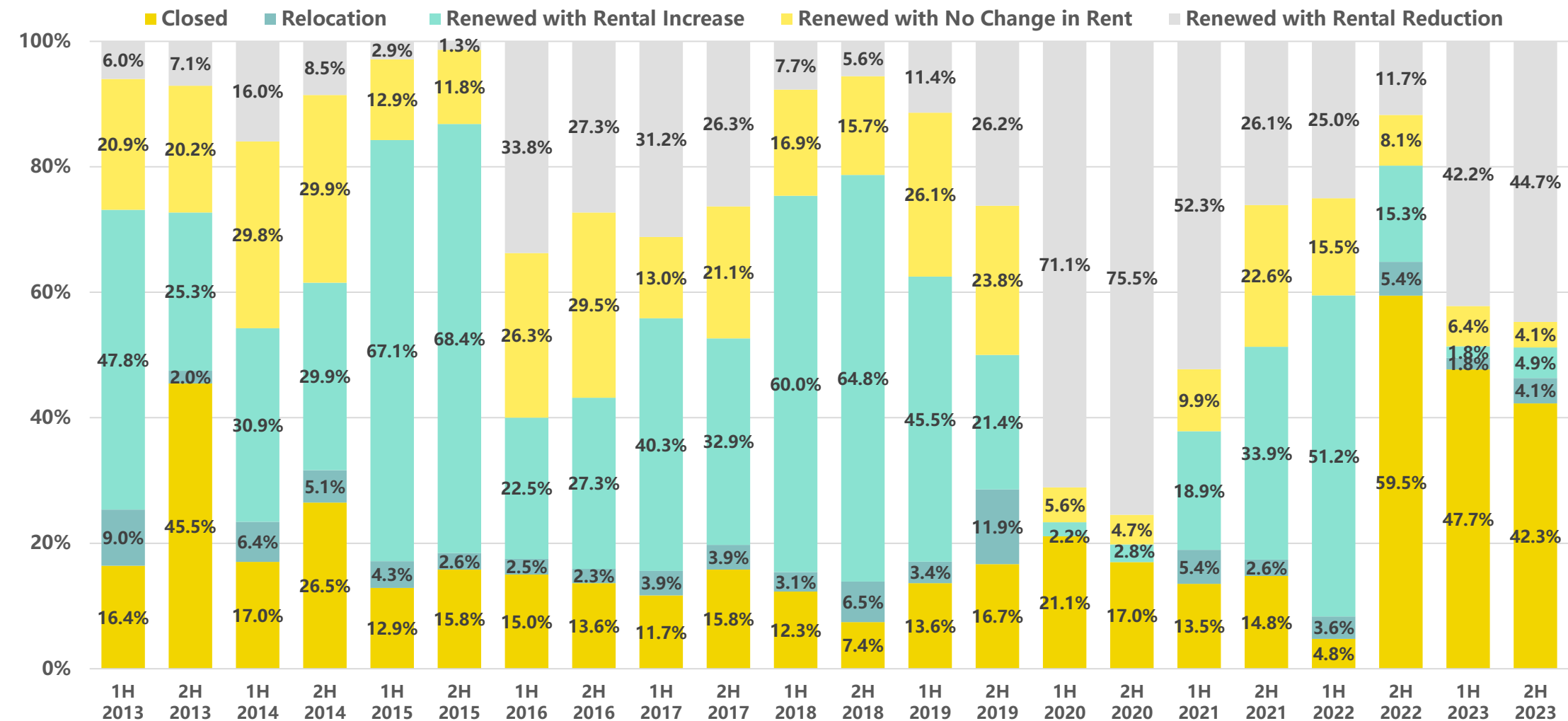
(HK\$'000)



*Excluding gains from disposal of properties

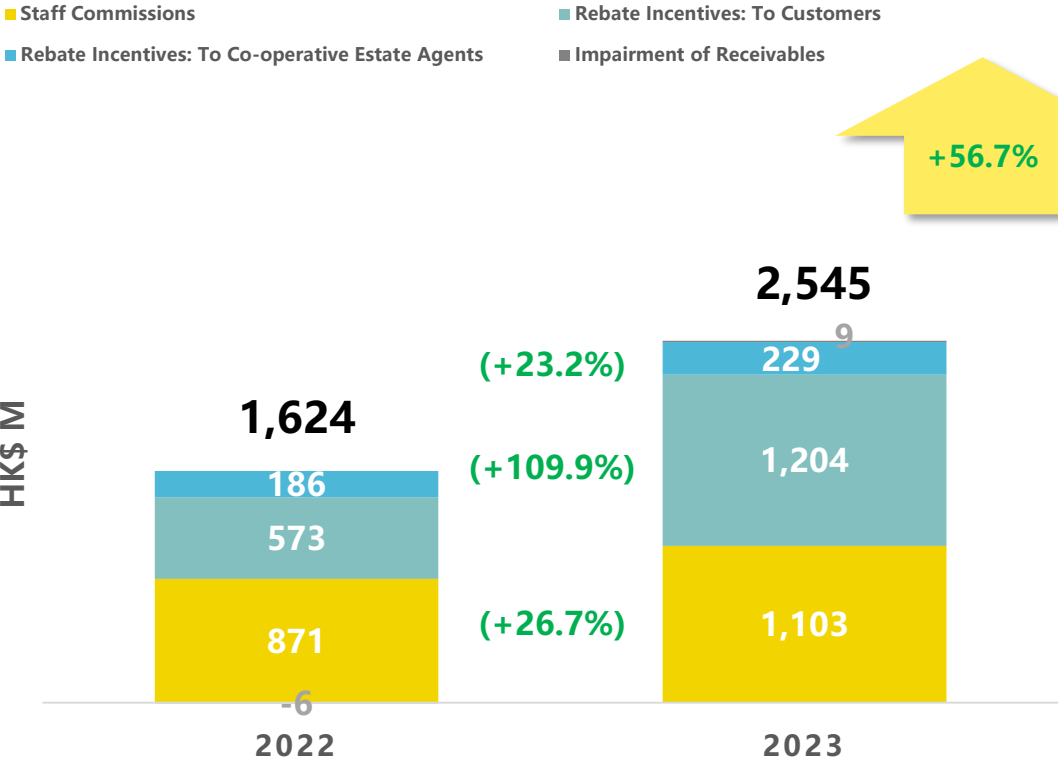
HK Operation : Negotiations on Leases

Negotiated favorable leasing terms

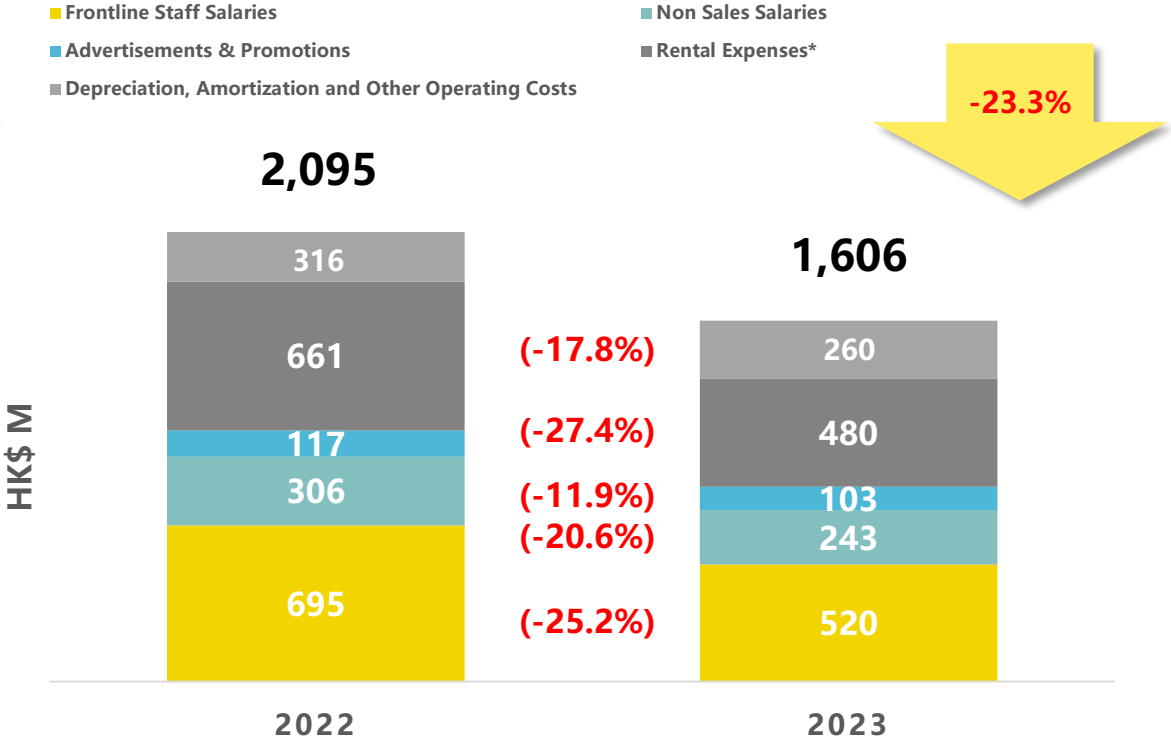


Key Financial Highlights – Variable Vs Hard

Variable Costs

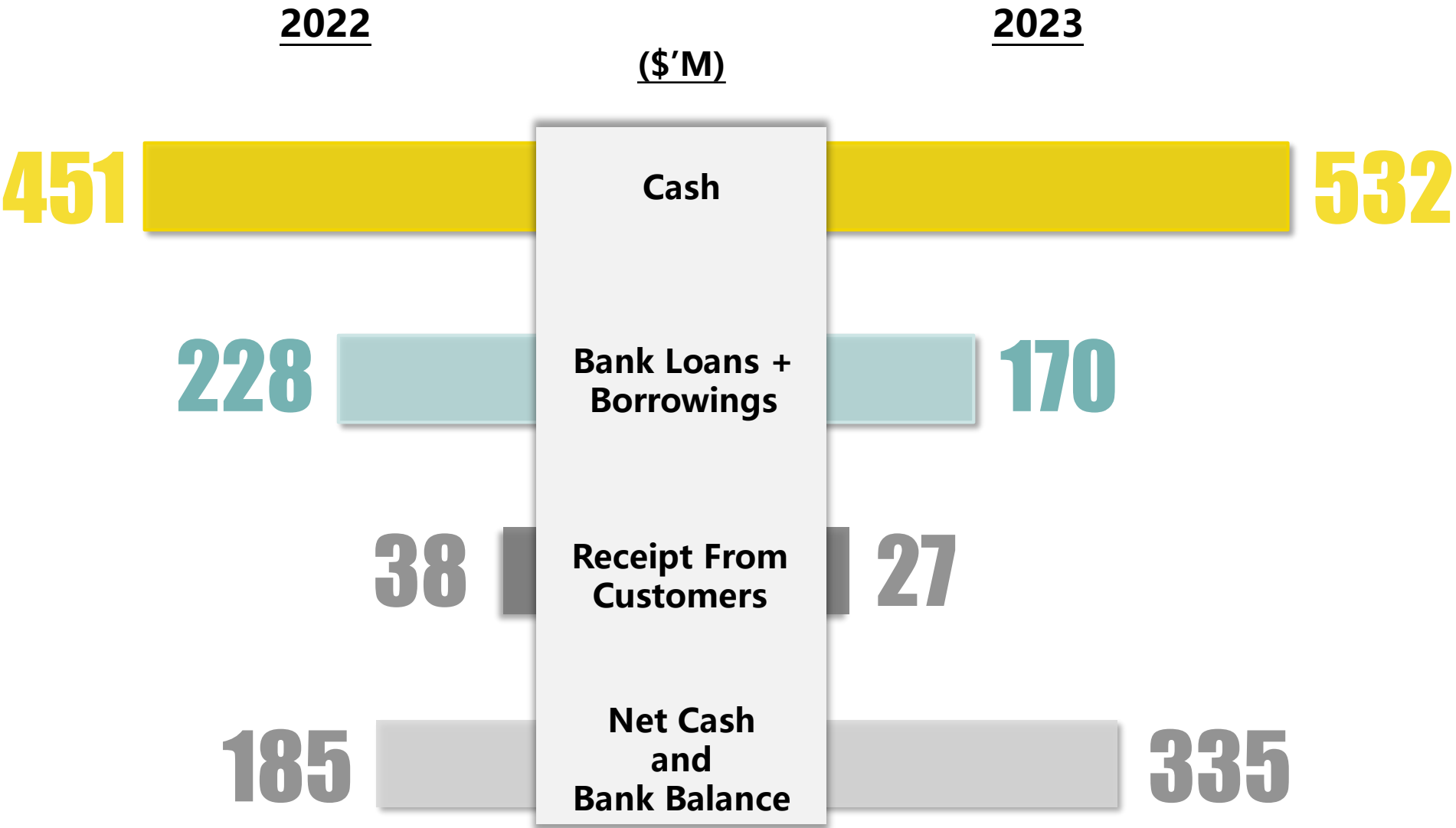


Hard Costs



* Rental expenses represented the operating lease charges, the amortization of right-of-use assets and interest expenses on lease liabilities.

Increase in Net Cash

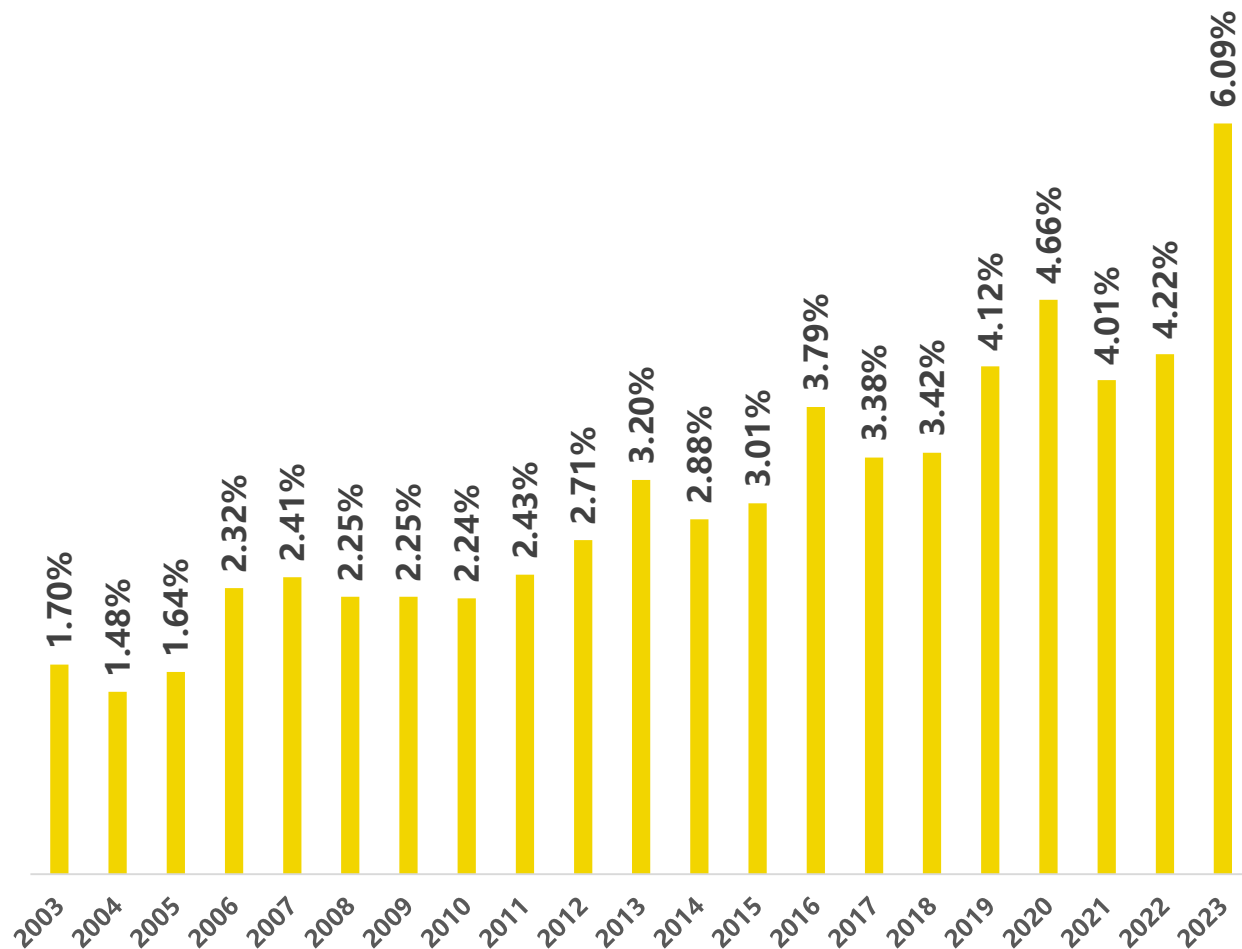




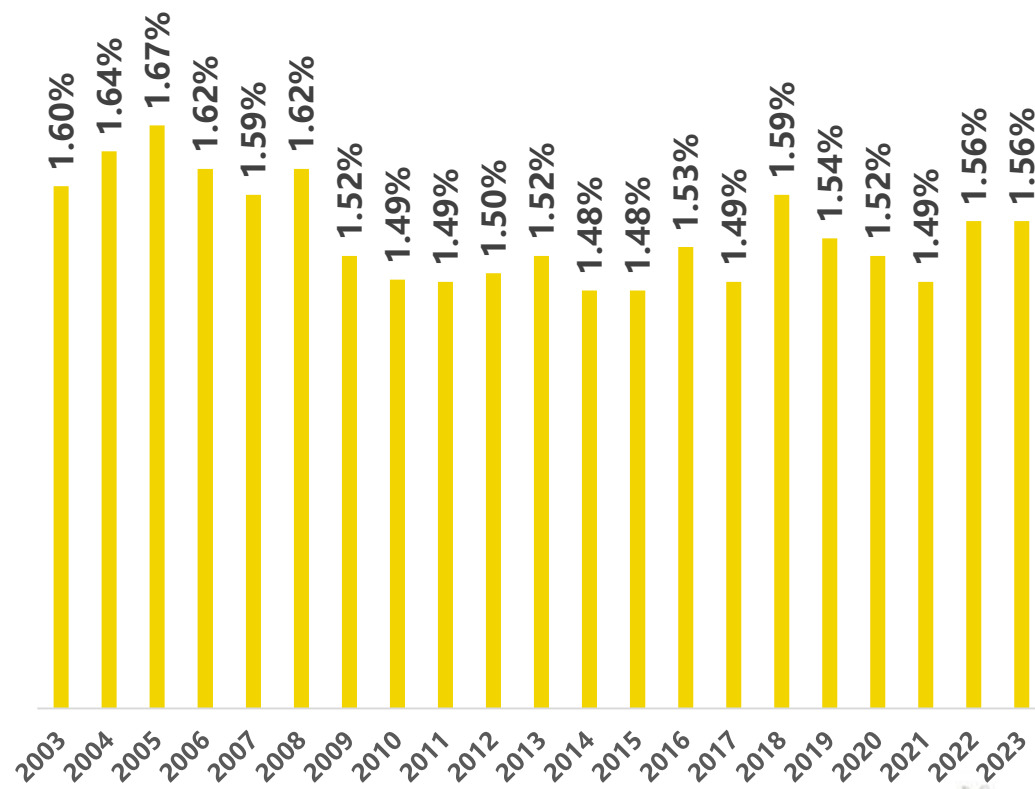
Business Overview

Gross Commission Rate*

As a % of New Property Price



As a % of Resale Property Price

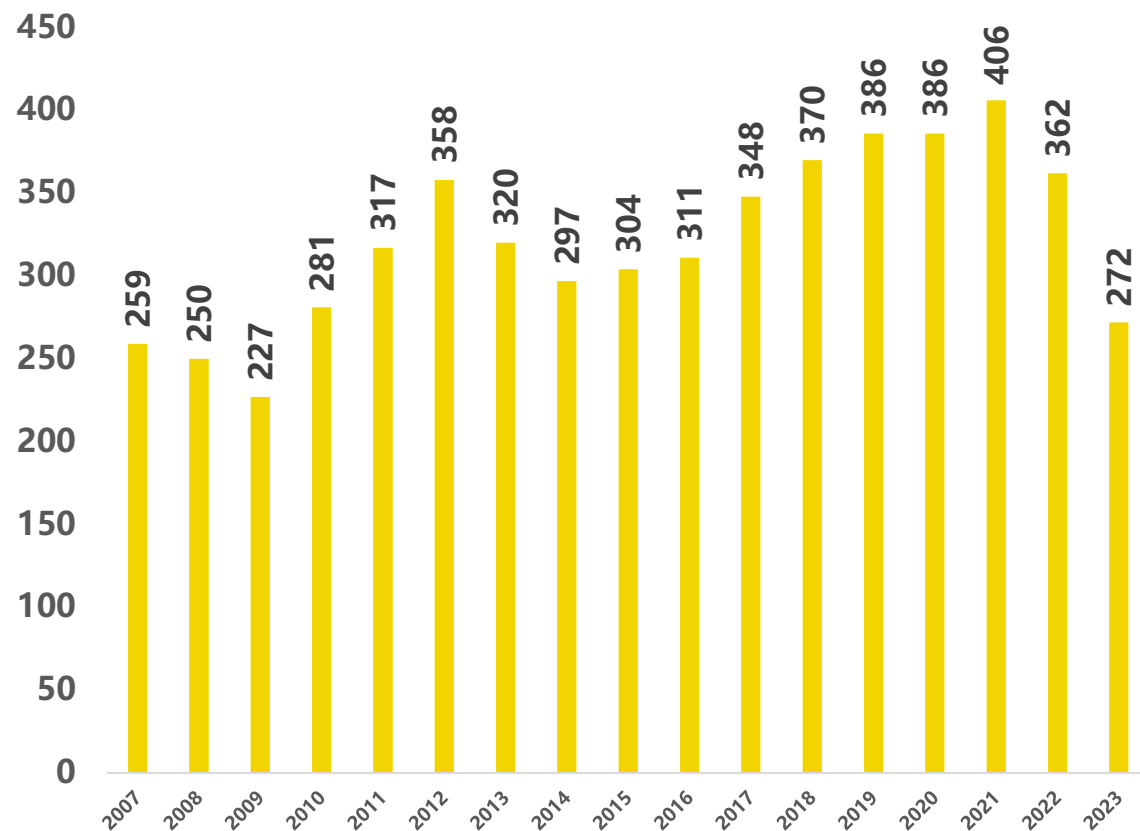


*Local Market

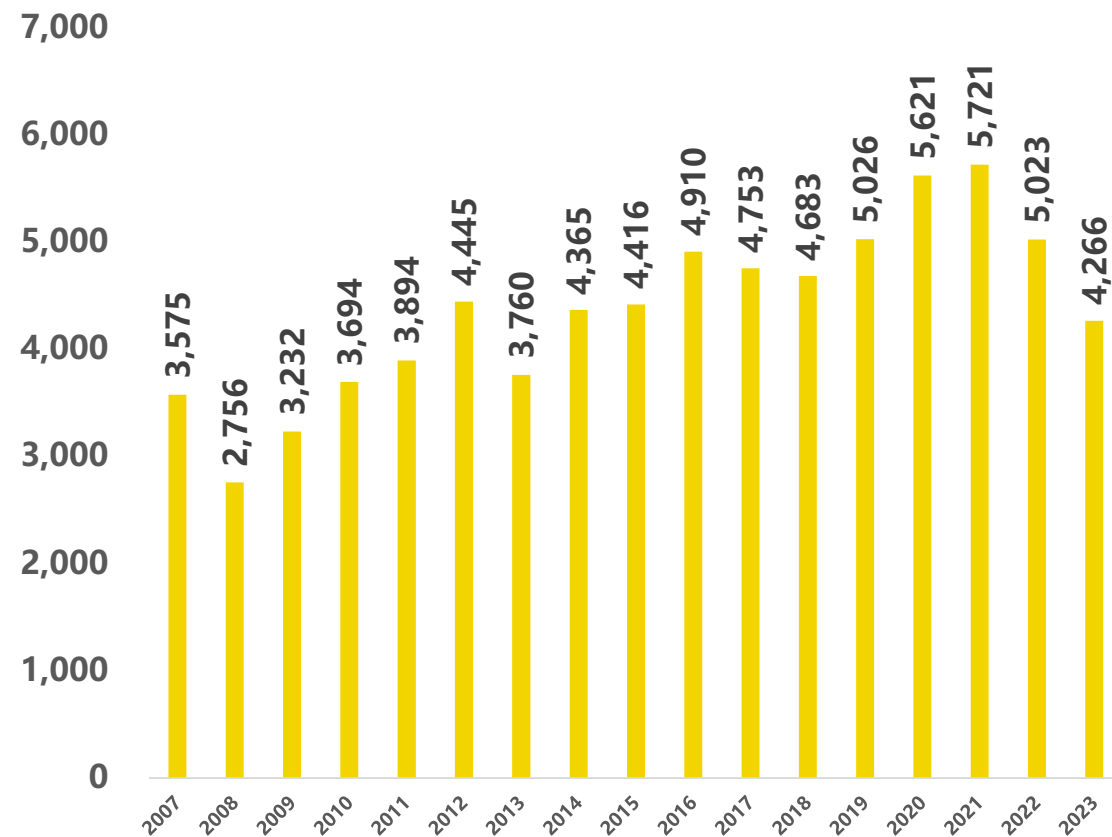


Contraction in HK

Number of Local Branches
(Not including Midland ICI)

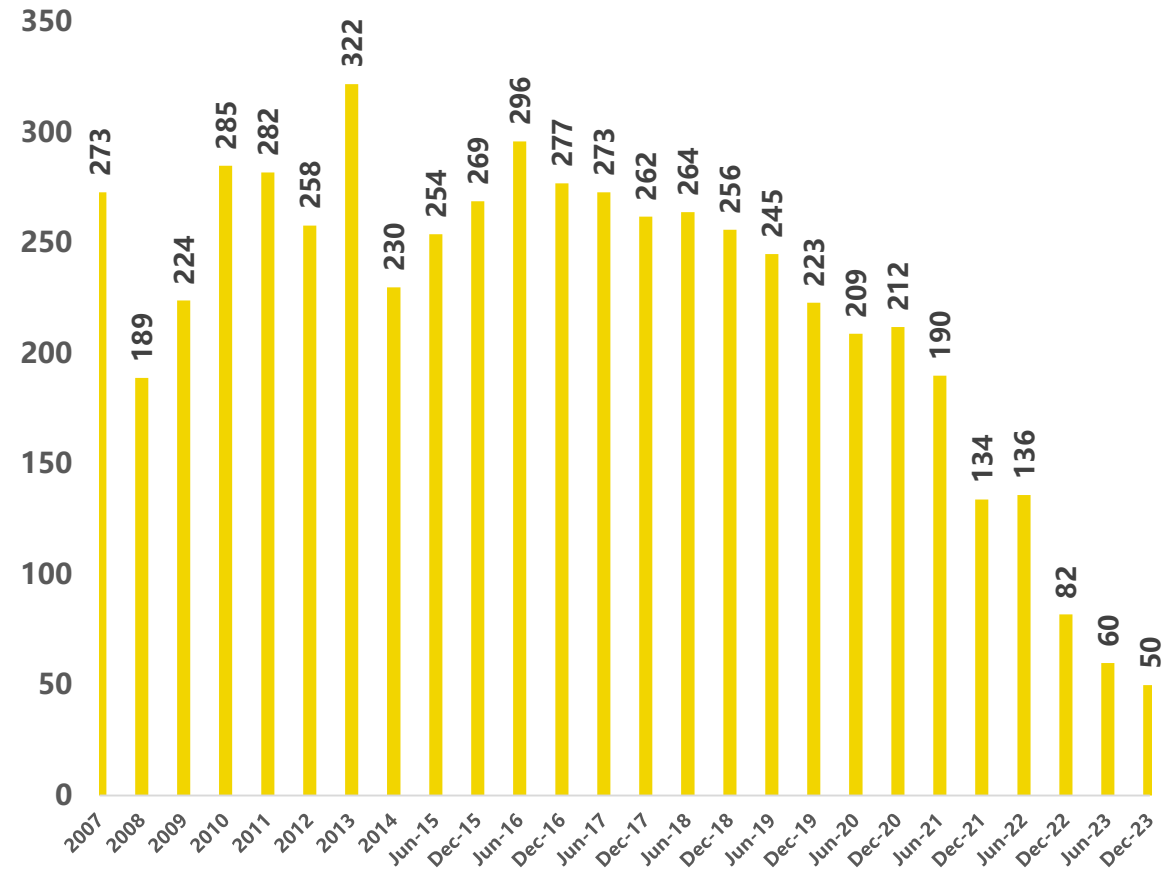


Number of Staff in HK
(Not including Midland ICI)

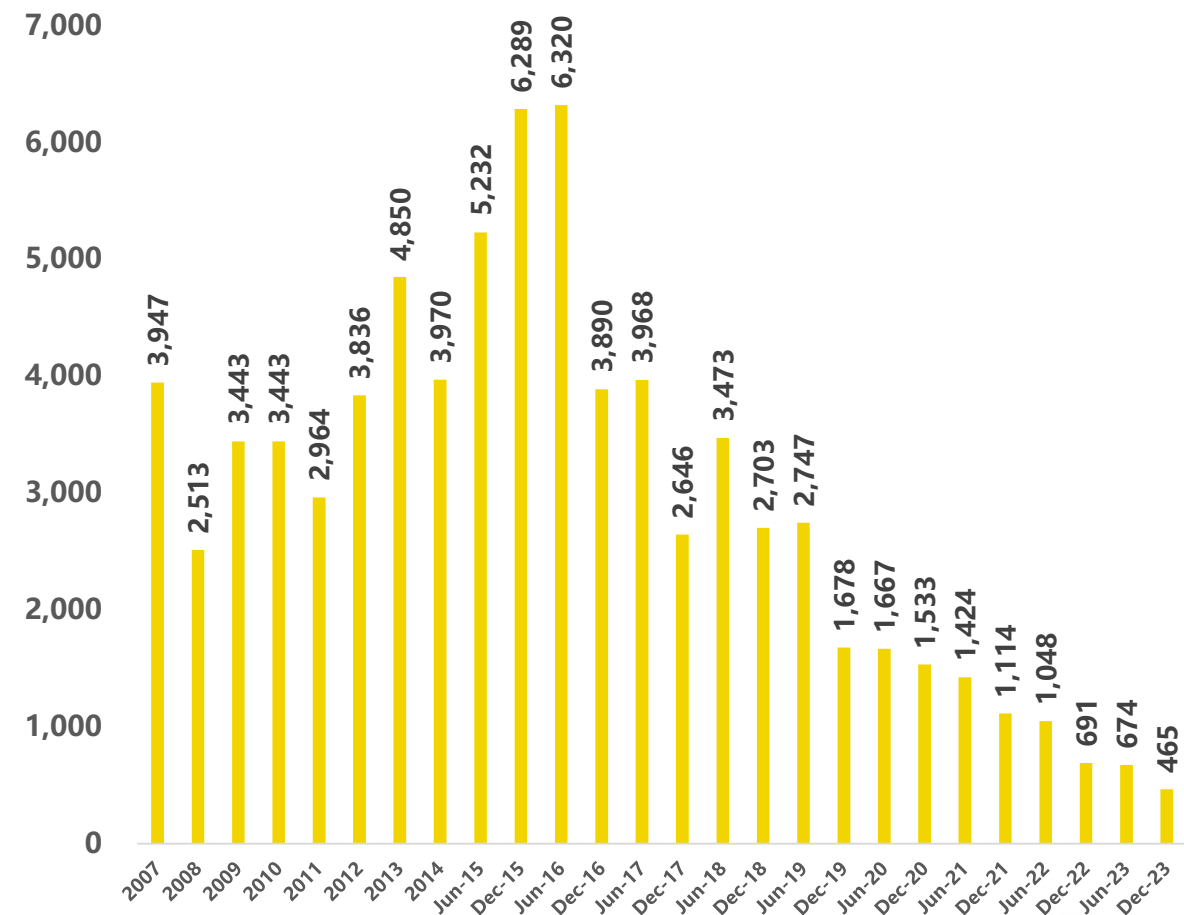


China Division : Continuous Cost Control

Number of Branches in China



Number of Staff in China



Initiatives

- 1 Downsized branch network, negotiated favorable lease terms, and optimized frontline staffing levels.
- 2 Initiated changes to the composition of the board of directors being effected with the goal of injecting fresh perspectives and expertise.
- 3 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.
- 4 To strengthen our holistic platform which provides comprehensive services to the Mainland elites in working visa application and renewal, school application, and property search.
- 5 The Group continuously updates and enhances the features of its online platforms

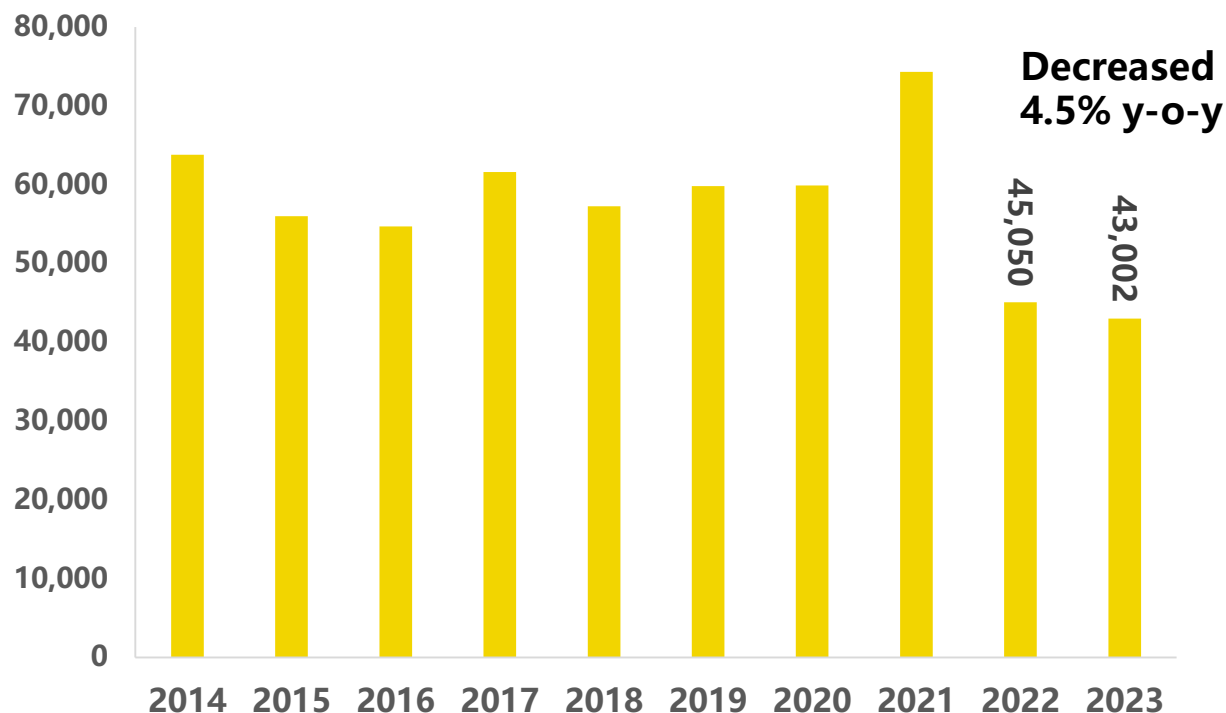


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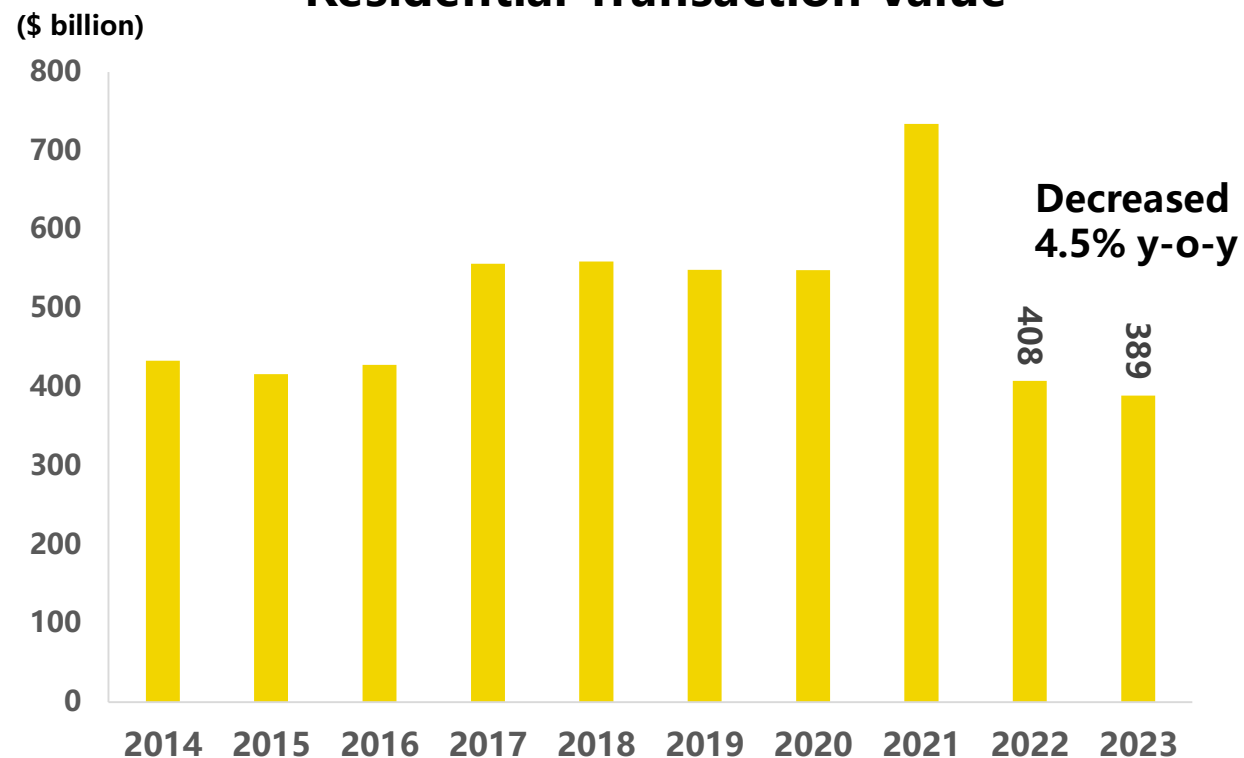
Prospects

2023 : Decline in both Transactions volume and value

Residential Transaction Volume



Residential Transaction Value



Source: The Land Registry

Demand is expected to strengthen

Cancellation of all demand-side management measures


	Rate	Implications
Buyer's Stamp Duty (BSD)	7.5%	All buyers now pay the same concessionary stamp duty rate of HK\$100-4.25% regardless of residency status, and regardless of whether they are first time buyers
New Residential Stamp Duty (NRSD)	7.5%	
Special Stamp Duty (SSD)	10%	In theory, favorable to short term speculation



Scale of Stamp Duty

Transacted Value		Ad Valorem Stamp duty (AVD)
More than	Not more than	
\$0	\$3,000,000	\$100
\$3,000,000	\$3,528,240	\$100 + 10% of excess over \$3,000,000
\$3,528,240	\$4,500,000	1.5%
\$4,500,000	\$4,935,480	\$67,500 + 10% of excess over \$4,500,000
\$4,935,480	\$6,000,000	2.25%
\$6,000,000	\$6,642,860	\$135,000 + 10% of excess over \$6,000,000
\$6,642,860	\$9,000,000	3%
\$9,000,000	\$10,080,000	\$270,000 + 10% of excess over \$9,000,000
\$10,080,000	\$20,000,000	3.75%
\$20,000,000	\$21,739,120	\$750,000 + 10% of excess over \$20,000,000
\$21,739,120		4.25%

Long-Term Supply will be undermined



The 2024-25 Budget

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Budget Speech	Bolstering Confidence	Green Future	Digital Economy	Industry Development	Land, Housing and Transport	Caring and Inclusion	Public Finance	Estimates	Videos
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Budget Speech

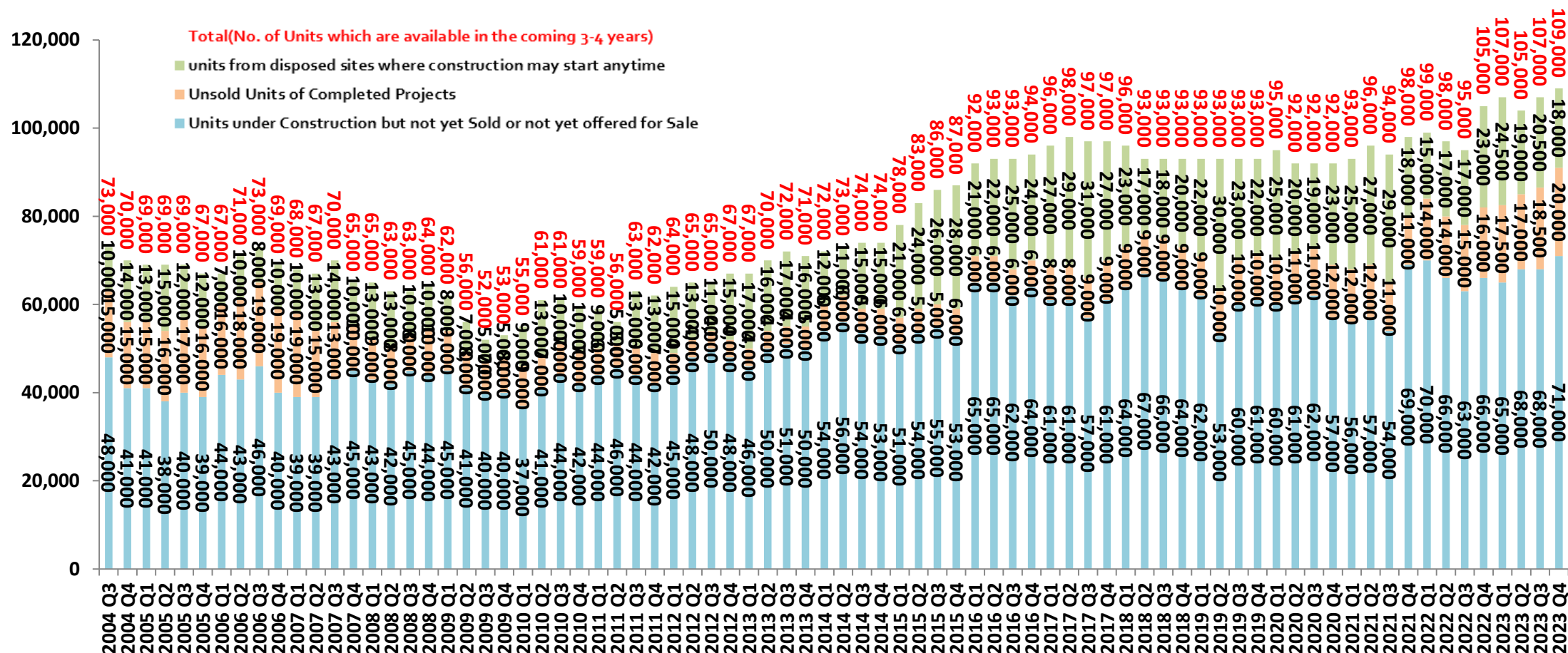
Bond Issuance

240. The issuance of Government bonds is conducive to the development of the bond market and allows the use of the capital raised from the market to drive green/sustainable and infrastructure projects. I emphasise that proceeds from bond issuance will not be used for funding government recurrent expenditure.

241. The Committee on the Financing of Major Development Projects led by me has reviewed how to adopt an orderly and phased approach in developing the Northern Metropolis. We plan to issue bonds of about \$95 billion to \$135 billion per annum in the next five years to drive the development of the Northern Metropolis and other infrastructure projects. For the Kau Yi Chau Artificial Islands project, we will continue to conduct relevant studies, and in considering its concrete implementation timetable, we will take into account various factors including the public finance position.

242. The Government will continue to adhere strictly to fiscal discipline and keep the government debt at a prudent level. It is expected that the ratio of Government debt to GDP will be in the range of about 9 to 13 per cent from 2024-25 to 2028-29, which is much lower than most of the other advanced economies.

Private Housing Supply exceeded 100K



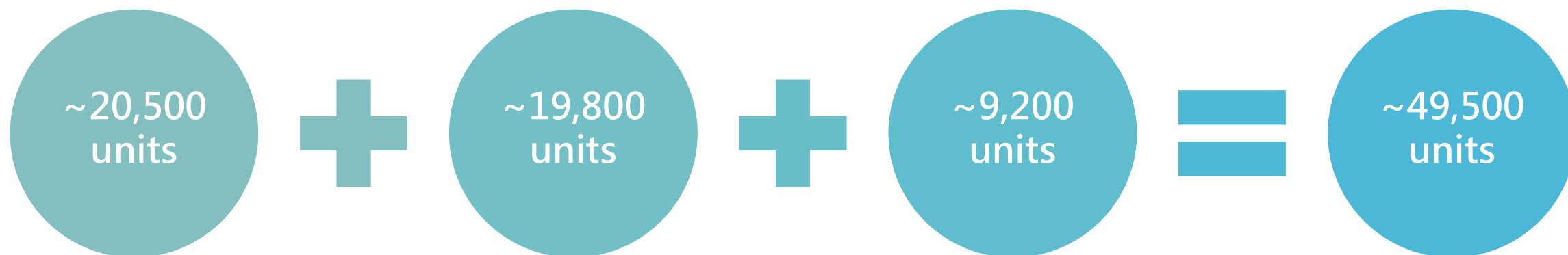
Source: Housing Bureau

Upcoming Supply

Launched but unsold

Presale Consent Approved
but not yet launched

Pending Approval of
Presale Consent



50K units
new supply

Source : Midland Research Centre, Lands Department
Presale consent information is as of the end of Feb 2024
Information of launched but unsold units as of end of Mar 2024

Loosening of Mortgage Conditions

- Suspension of the interest rate stress testing requirement for property mortgage lending that assumes a 200-basis-point rise in the mortgage rate.

		Before 28.2.2024	28.2.2024 and after
Self-Use Residential properties	\$15M or below	70%	\$15M or below 70%
	\$15M – \$17.5M	60%-70% (max \$10.5M)	\$15M – \$17.5M 70%
	\$17.5M – \$30M	60%	\$17.5M – \$30M 70%
	\$30M - \$36M	50%-60% (max \$18M)	\$30M - \$35M 60%-70% (max \$21M)
	\$36M or above	50%	\$35M or above 60%
non-self-use residential properties		50%	60%
non-residential properties		60%	70%

Sales activities have responded strongly to the relaxation

Primary Market

About 2 months
before the announcement of
24/25 Budget

(1.1.24-27.2.24)

~626 cases

~11 cases per day

About 1 month
after the announcement of
24/25 Budget

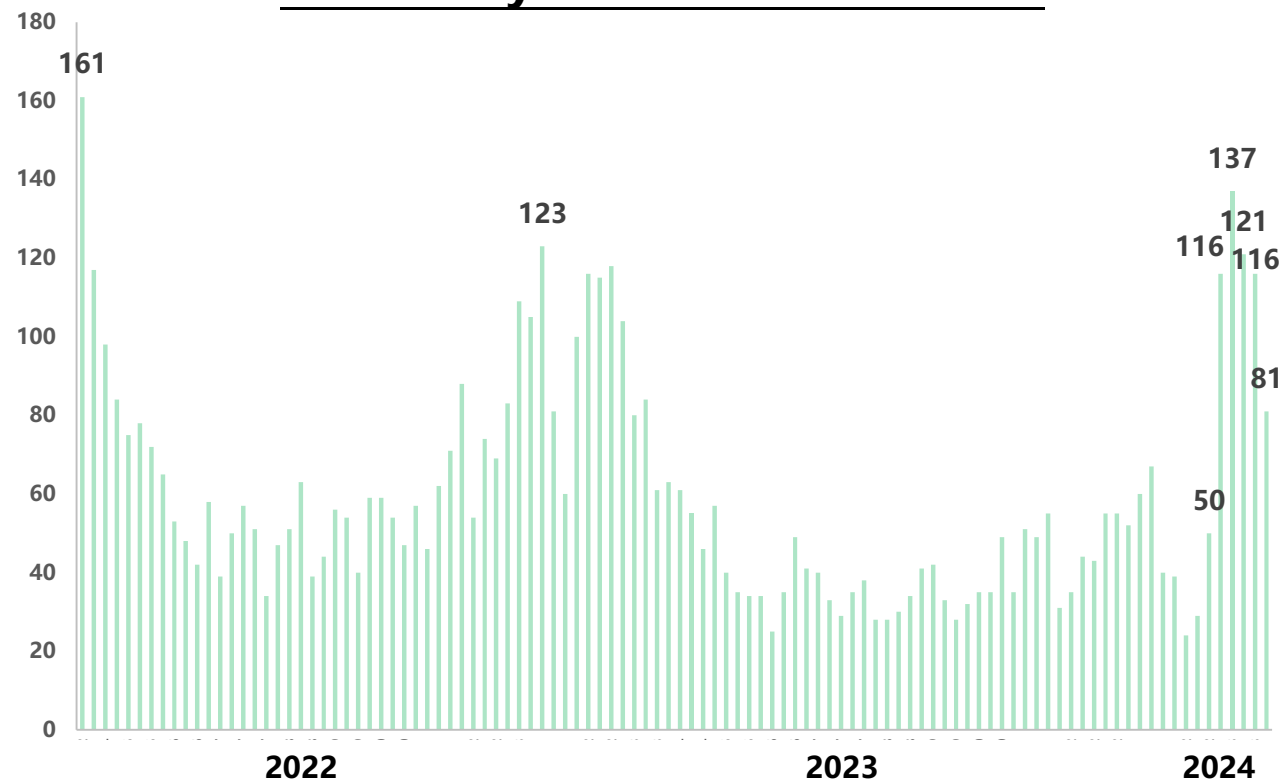
(28.2.24-31.3.24)

~4,235 cases

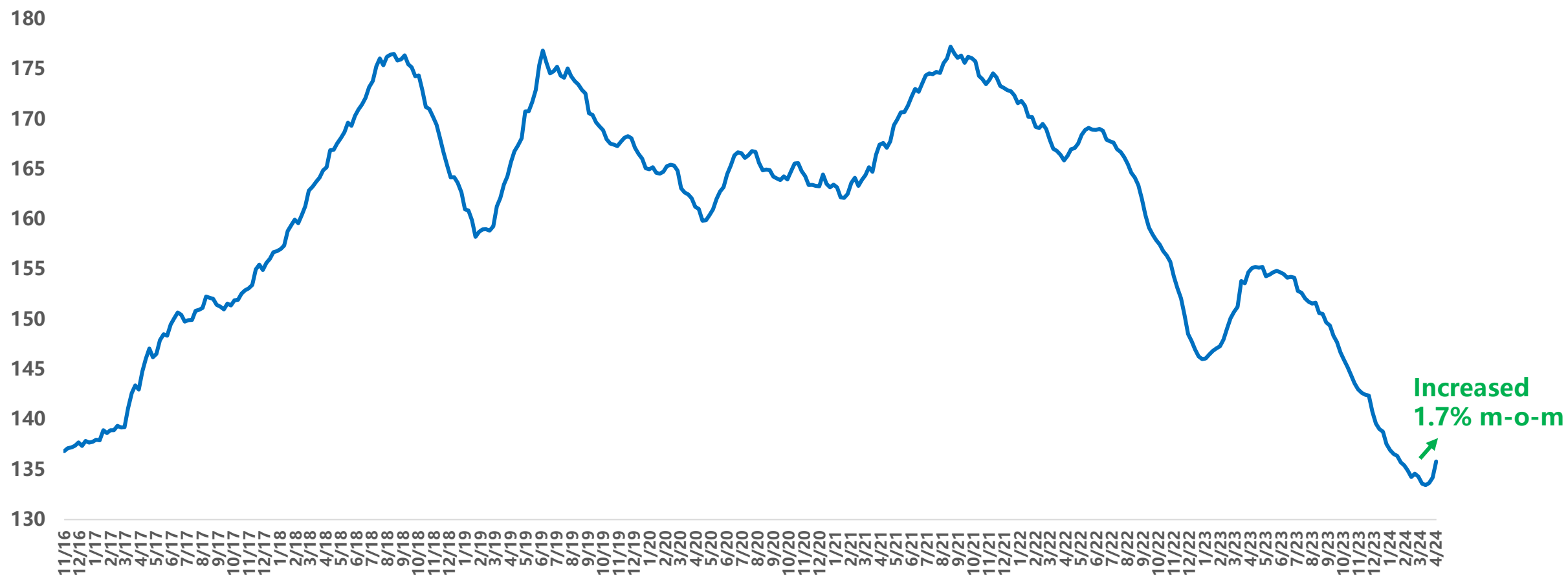
~128 cases per day

Increased by **11** times

Secondary Market of 35 Estates



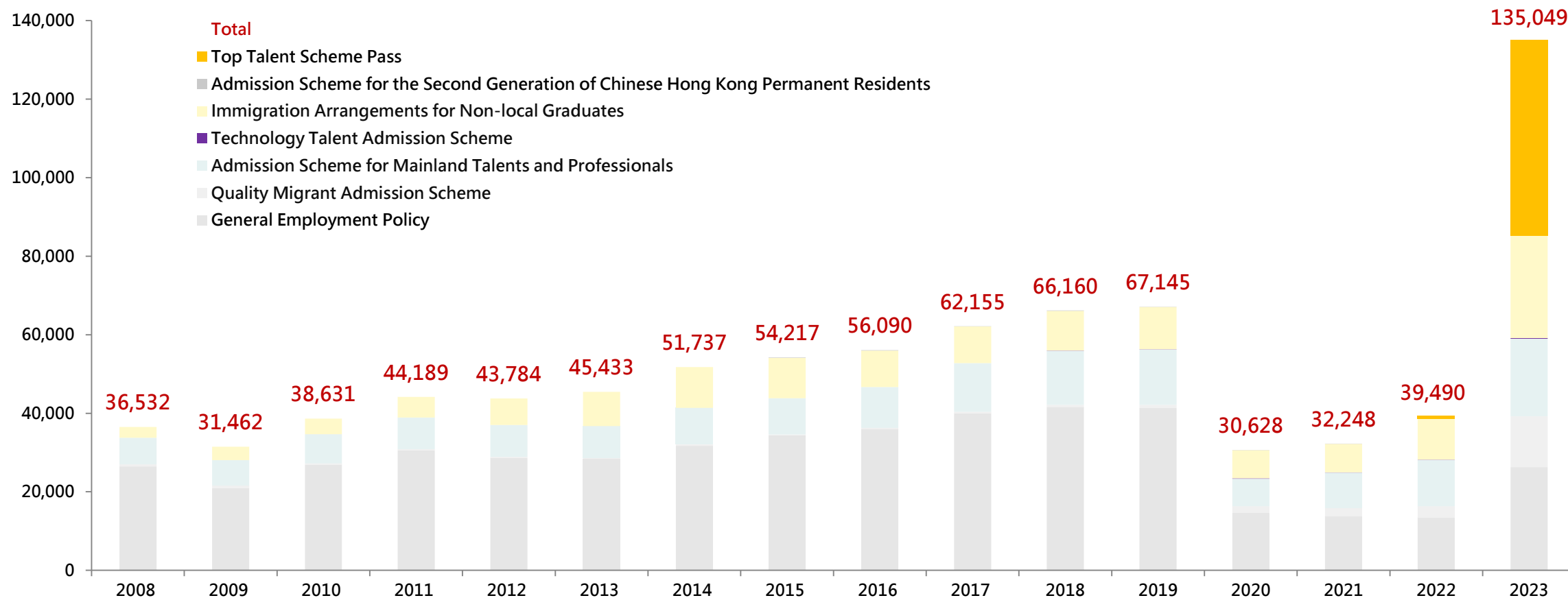
Price stabilization



* As of 8.4.2024

Source: Midland Research Centre

TALENTS RECRUITMENT PROGRAMS

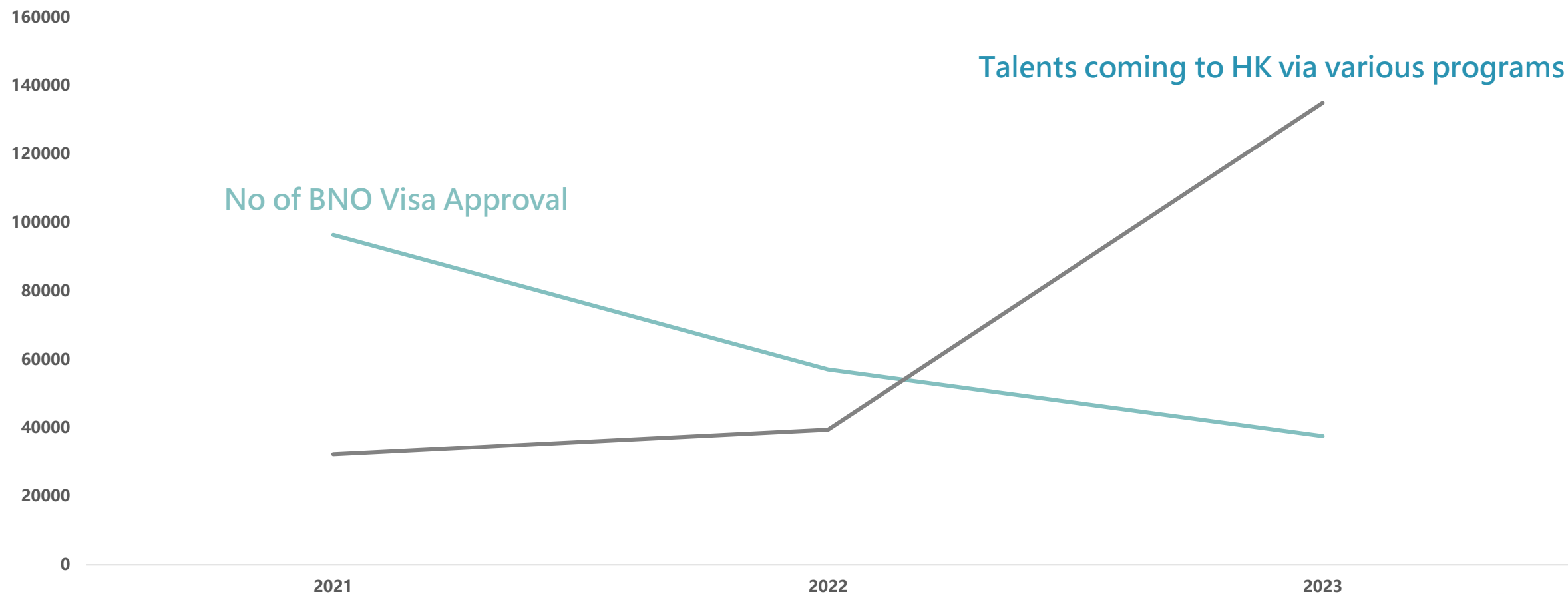


Numbers of Dependants coming through various talent scheme in the first 10 month of 2023

	Number of dependants (under the age of 18) through various talent scheme in the first 10 month of 2023
Top Talent Scheme Pass	24,815 (52.25%)
Quality Migrant Admission Scheme	12,711 (26.76%)
Admission Scheme for Mainland Talents and Professionals	4,908 (10.33%)
General Employment Policy	2,891 (6.09%)
Immigration Arrangements for Non-local Graduates	2,113 (4.45%)
Technology Talent Admission Scheme	50 (0.11%)
Admission Scheme for the Second Generation of Chinese Hong Kong Permanent Residents	5 (0.01%)
Total	47,493 (100%)

Reference : Hong Kong Immigration department

Moving in VS Moving Out



Source : Hong Kong Immigration Department, Home Office UK

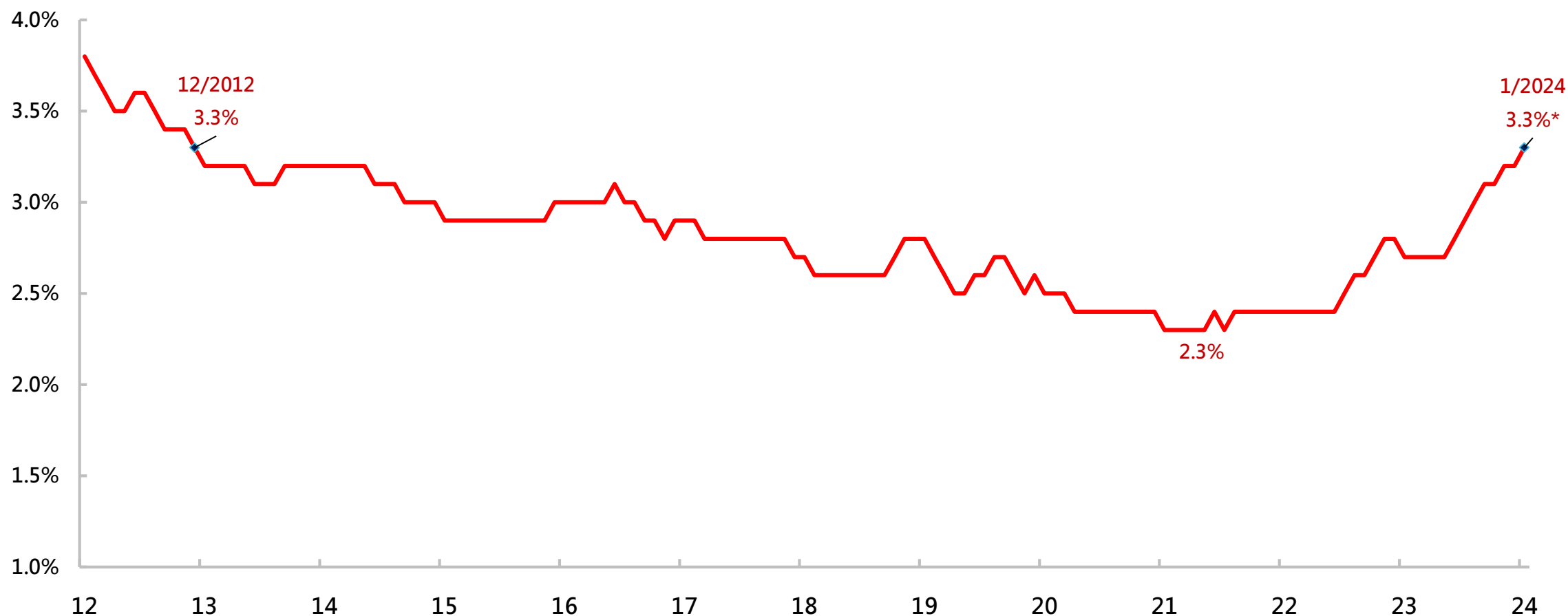
Rental Market already benefited last year

	Change in Prices	Change in Rents
1997	+19.0%	+0.9%
1998	-38.2%	-17.2%
1999	-2.4%	-5.5%
2000	-18.6%	-5.2%
2001	-8.2%	-3.7%
2002	-11.3%	-14.2%
2003	+3.4%	-6.7%
2004	+29.0%	+14.3%
2005	+2.7%	+13.3%
2006	+2.9%	+2.8%
2007	+21.3%	+20.2%
2008	-12.5%	-16.0%
2009	+26.9%	+22.6%
2010	+22.4%	+12.4%
2011	+7.7%	+3.1%
2012	+23.3%	+15.8%
2013	+3.1%	+1.9%
2014	+12.6%	+6.9%
2015	+2.5%	-0.7%
2016	+6.4%	+4.3%
2017	+13.8%	+7.2%
2018	+2.5%	+1.8%
2019	+2.5%	-1.3%
2020	-0.9%	-5.8%
2021	+5.0%	+1.7%
2022	-14.9%	-4.1%
2023	-5.8%	+6.8%



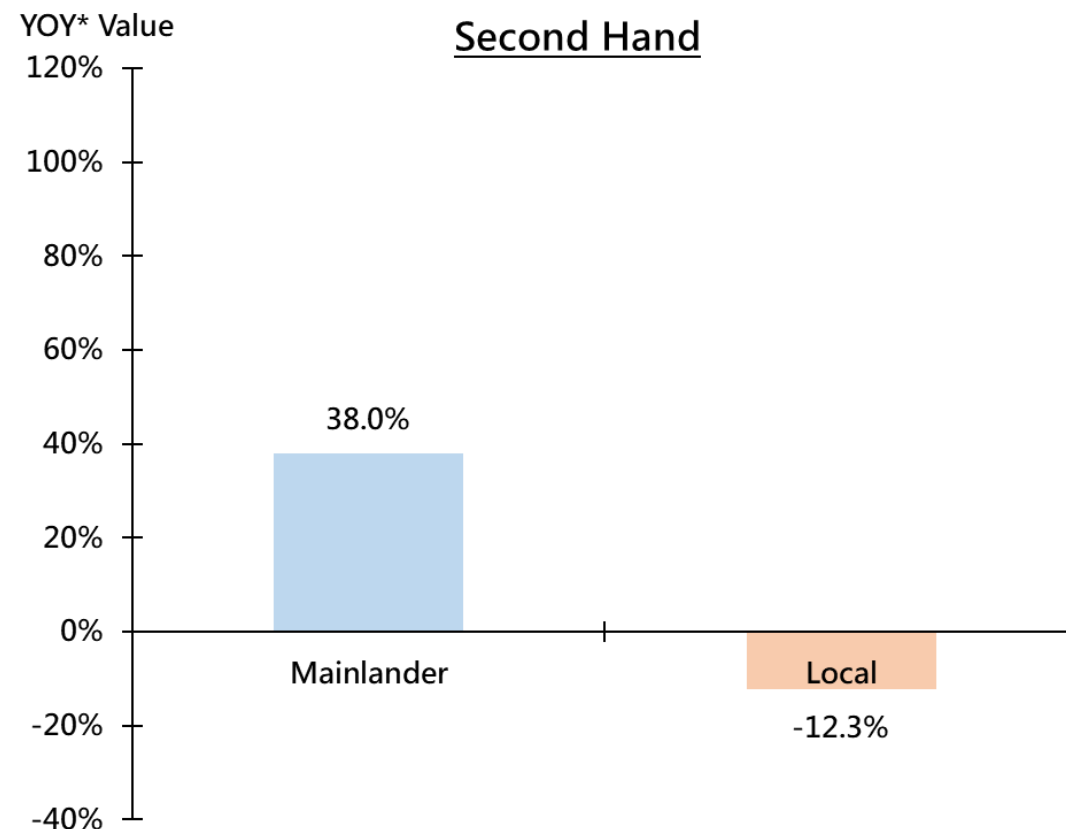
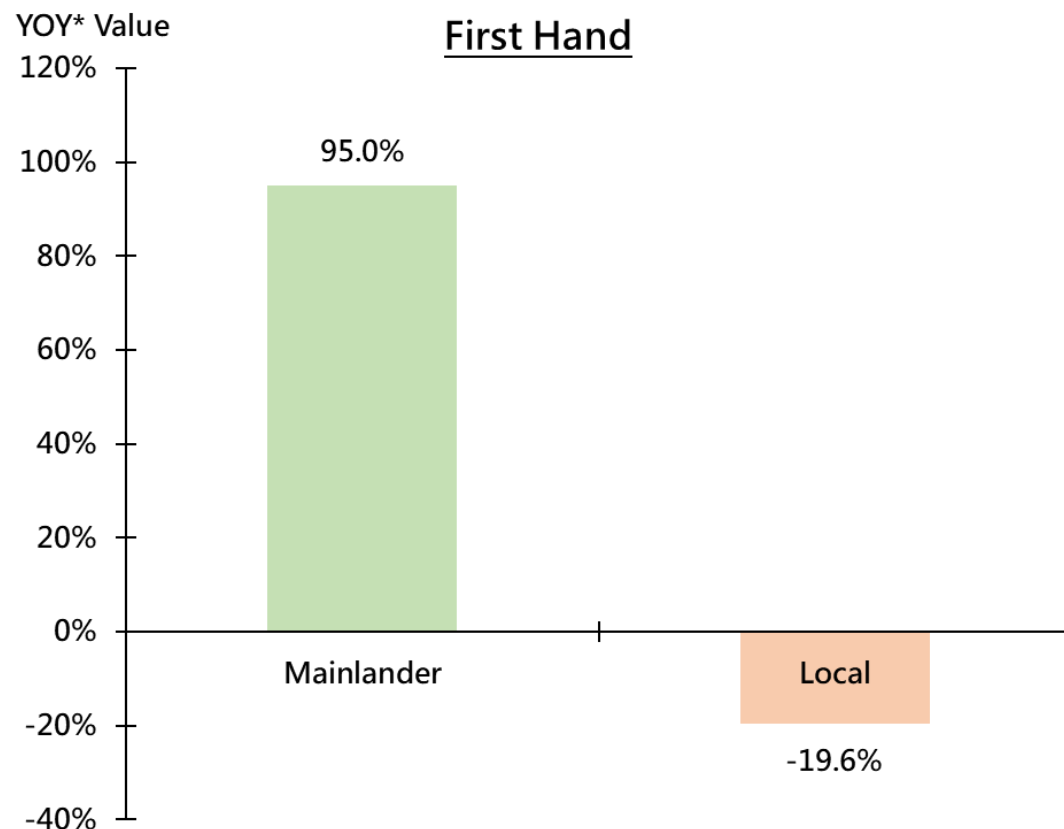
Rental yield has significantly improved

Yields of Class A Private Residential Units (saleable area less than 40 m²)



* Provisional figures
Source : Rating and Valuation Department

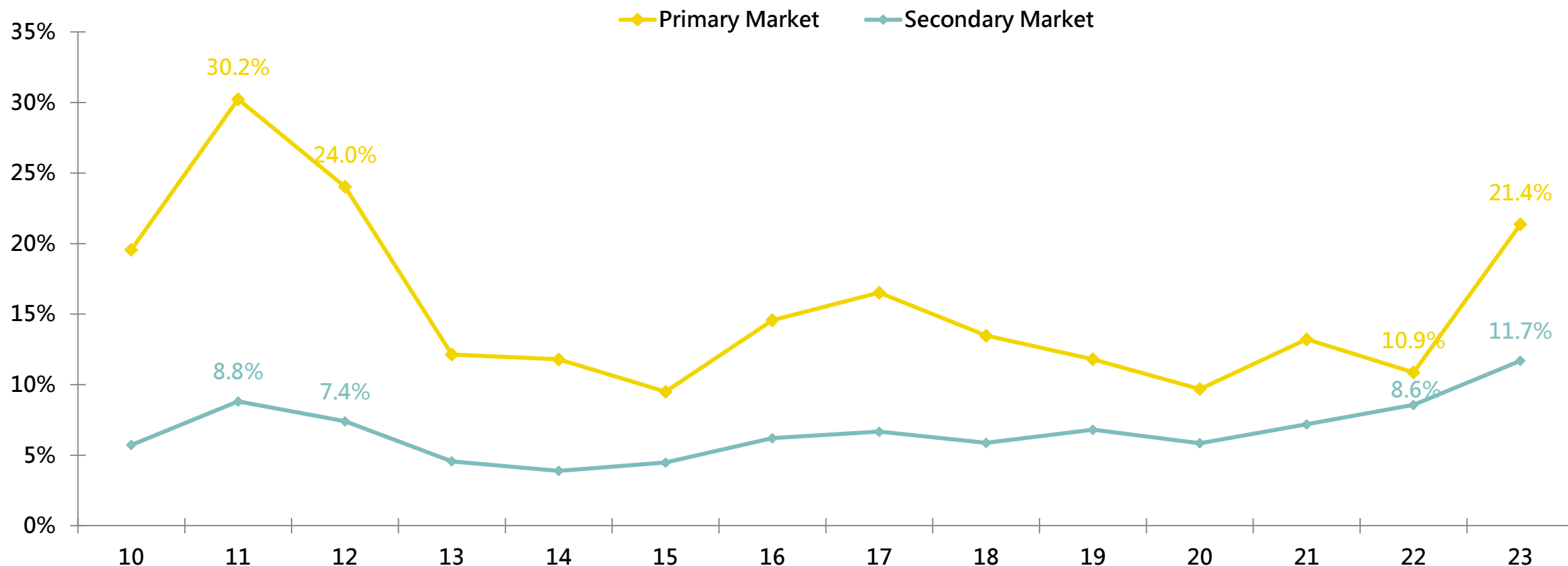
Property Demand : Mainlander Vs Local



Note:
 *Comparison between the first 9 months of Year 2023 and Year 2022
 English and Romanized names are the subject in determining if a buyer is mainlander;
 Only known cases are considered in calculation, and company cases are excluded;
 Figures in secondary market include public housing;
 Because of the time needed in registration, figures generally represent the market one month prior;
 Figures are preliminary and subject to change Source: Land Registry and Midland Research Centre



Involvement of Mainlanders by Volume



Note:

1) English and Romanized names are the subject in determining if a buyer is mainland;

2) Only known cases are considered in calculation, and company cases are excluded;

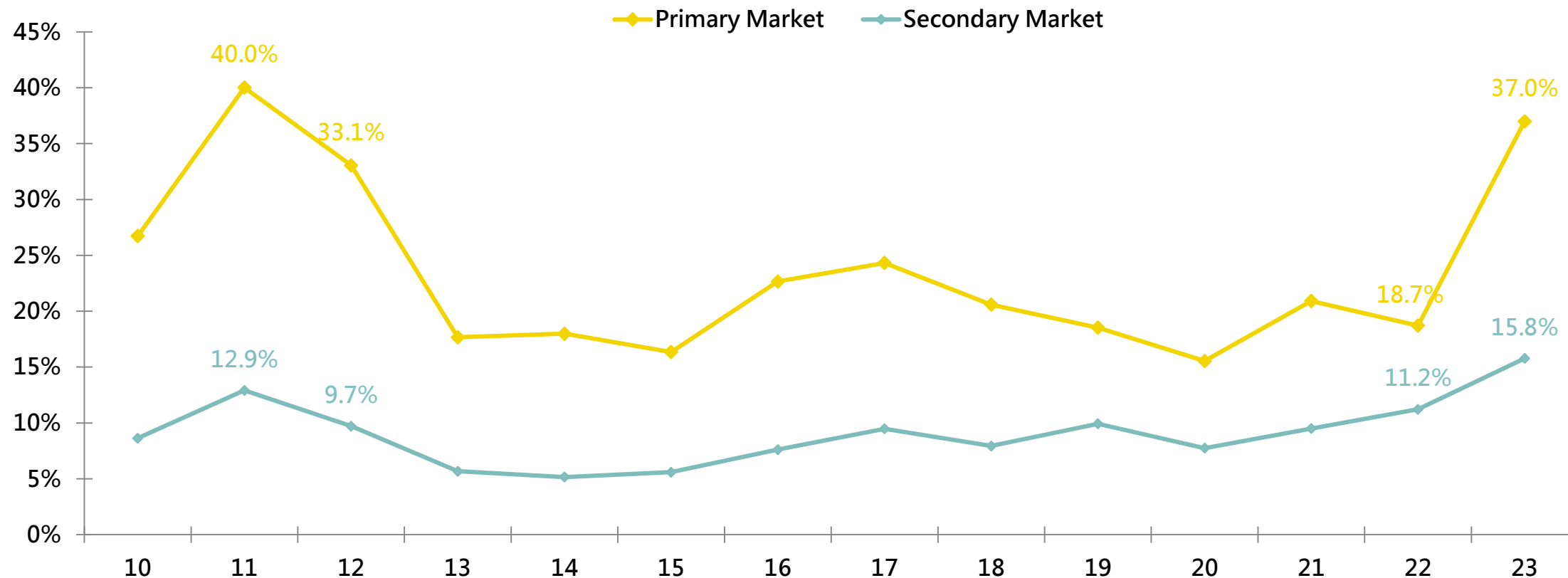
3) Figures in secondary market include public housing;

4) Because of the time needed in registration, figures generally represent the market one month prior;

Figures are preliminary and subject to change

Source: Land Registry and Midland Property Data and Research Centre

Involvement of Mainlanders by Value



Note:

- 1) English and Romanized names are the subject in determining if a buyer is mainlander;
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Source: Land Registry and Midland Property Data and Research Centre

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Thank You