Midland Holdings Limited

美 聯 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1200)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015 *HK$'000***	2014 *HK$'000*
Revenues	*3(a)*	**3,906,524**	4,118,267
Other income	*4*	**6,195**	6,530
Staff costs		**(2,319,304)**	(2,192,571)
Rebate incentives		**(582,337)**	(736,558)
Advertising and promotion expenses		**(89,750)**	(78,864)
Operating lease charges in respect of office and shop premises		**(584,867)**	(575,644)
Impairment of receivables		**(95,443)**	(69,047)
Depreciation and amortisation costs		**(43,403)**	(53,663)
Other operating costs		**(294,758)**	(299,087)
Operating (loss)/ profit	*5*	**(97,143)**	119,363
Finance income	*6*	**2,663**	3,196
Finance costs	*6*	**(10,028)**	(19,791)
Share of results of joint ventures		**13,919**	11,547
(Loss)/profit before taxation		**(90,589)**	114,315
Taxation	*7*	**(8,593)**	(39,557)
(Loss)/profit for the year		**(99,182)**	74,758

** For identification purpose only*

CONSOLIDATED INCOME STATEMENT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 HK$'000	2014 HK$'000
(Loss)/profit attributable to:			
Equity holders		**(99,486)**	63,975
Non-controlling interests		**304**	10,783
		(99,182)	74,758
(Loss)/earnings per share	*9*	**HK cents**	HK cents
Basic		**(13.86)**	8.91
Diluted		**(13.86)**	8.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(99,182)**	74,758
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**5,662**	1,090
Change in fair value of available-for-sale financial assets	**1,450**	2,265
Change in fair value of land and buildings upon transfer from owner-occupied properties to investment properties	**14,101**	-
	21,213	3,355
Total comprehensive (loss)/income for the year, net of tax	**(77,969)**	78,113
Total comprehensive (loss)/income for the year attributable to:		
Equity holders	**(78,273)**	67,330
Non-controlling interests	**304**	10,783
	(77,969)	78,113

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	**2015**	2014
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property and equipment		**166,475**	153,741
Investment properties		**105,074**	87,910
Land use rights		**1,233**	1,333
Interests in joint ventures		**70,887**	63,358
Available-for-sale financial assets		**11,982**	12,566
Deferred taxation assets		**15,992**	21,652
		371,643	340,560
Current assets			
Trade and other receivables	*10*	**1,412,779**	1,990,038
Taxation recoverable		**21,332**	1,337
Cash and bank balances		**1,303,066**	1,764,485
		2,737,177	3,755,860
Total assets		**3,108,820**	4,096,420

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31 DECEMBER 2015

	Note	2015 HK$'000	2014 HK$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**71,805**	71,805
Share premium		**223,505**	223,505
Reserves		**1,033,062**	1,110,799
		1,328,372	1,406,109
Non-controlling interests		**201,635**	200,431
Total equity		**1,530,007**	1,606,540
Non-current liabilities			
Deferred taxation liabilities		**3,121**	2,857
Current liabilities			
Trade and other payables	*11*	**1,514,506**	2,041,096
Borrowings		**58,188**	426,118
Taxation payable		**2,998**	19,809
		1,575,692	2,487,023
Total liabilities		**1,578,813**	2,489,880
Total equity and liabilities		**3,108,820**	4,096,420

NOTES TO THE 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, Church Street, Hamilton HM11, 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 provision of property agency services in Hong Kong, the People's Republic of China (the "PRC") and Macau.

2 Basis of preparation

(a) The consolidated financial statements of the Company have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair values.

(b) Amendments effective in 2015

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The adoption of the above amendments to existing standards did not have significant effect on the financial information or result in any significant changes in the Group's significant accounting policies, except for certain changes in presentation and disclosures.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 Basis of preparation (Continued)

(d) Standards, interpretations and amendments which are not yet effective

The following new standards, and amendments to standards have been issued but are not effective for 2015 and have not been early adopted by the Group.

Effective for the year ending 31 December 2016

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

Effective for the year ending 31 December 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The Group is assessing the impact of these new standards and amendments to standards. The adoption of these new standards and amendments to standards will not result in a significant impact on the results and financial position of the Group.

3 Revenues and segment information

(a) Revenues

	2015 ***HK$'000***	2014 *HK$'000*
Agency fee	**3,874,563**	4,078,198
Immigration consultancy services	**23,894**	33,820
Rental income	**4,383**	2,874
Web advertising	**1,415**	1,525
Other services	**2,269**	1,850
	3,906,524	4,118,267

3 Revenues and segment information (Continued)

(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 reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

Management assesses the performance based on the nature of the Group's businesses which are principally located in Hong Kong, the PRC and Macau, and comprise property agency businesses for residential, commercial and industrial properties and shops, and other businesses mainly include property leasing and immigration consultancy services.

	Year ended 31 December 2015			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total revenues	3,387,450	588,217	39,642	4,015,309
Inter-segment revenues	(74,688)	(26,416)	(7,681)	(108,785)
Revenues from external customers	3,312,762	561,801	31,961	3,906,524
Segment results	(67,129)	(4,039)	23,868	(47,300)
Impairment of receivables	67,538	27,737	168	95,443
Depreciation and amortisation costs	34,350	6,760	1,096	42,206
Share of results of joint ventures	-	-	13,919	13,919
Fair value gain on investment properties	-	-	2,183	2,183
Additions to non-current assets	55,596	5,779	1,185	62,560

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2014			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total revenues	3,564,124	629,034	48,121	4,241,279
Inter-segment revenues	(87,646)	(27,314)	(8,052)	(123,012)
Revenues from external customers	3,476,478	601,720	40,069	4,118,267
Segment results	120,989	23,959	19,785	164,733
Impairment of receivables	55,125	13,922	-	69,047
Depreciation and amortisation costs	42,276	9,284	906	52,466
Share of results of joint ventures	-	-	11,547	11,547
Fair value gain on investment properties	-	-	2,615	2,615
Additions to non-current assets	21,162	687	378	22,227

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, realised gain/(loss) on available-for-sale financial assets, finance income, finance costs 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.

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

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

	2015	2014
	HK$'000	*HK$'000*
Segment results for reportable segments	**(47,300)**	164,733
Corporate expenses	**(36,230)**	(33,231)
Realised gain/(loss) on available-for-sale financial assets	**306**	(592)
Finance income	**2,663**	3,196
Finance costs	**(10,028)**	(19,791)
(Loss)/profit before taxation per consolidated income statement	**(90,589)**	114,315

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and available-for-sale financial assets, all of which are managed on a central basis. The following is assets and liabilities by reporting segments:

	As at 31 December 2015			
	Property agency			
	Residential properties	**Commercial and industrial properties and shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**1,570,198**	**860,192**	**198,211**	**2,628,601**
Segment assets include:				
Interests in joint ventures	**-**	**-**	**70,887**	**70,887**
Segment liabilities	**1,251,220**	**232,662**	**25,058**	**1,508,940**

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	As at 31 December 2014			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	2,536,243	896,228	179,352	3,611,823
Segment assets include:				
Interests in joint ventures	-	-	63,358	63,358
Segment liabilities	1,743,004	265,593	30,459	2,039,056

Reportable segment assets are reconciled to total assets as follows:

	2015 **HK$'000**	2014 *HK$'000*
Segment assets	**2,628,601**	3,611,823
Corporate assets	**452,245**	450,379
Deferred taxation assets	**15,992**	21,652
Available-for-sale financial assets	**11,982**	12,566
Total assets per consolidated balance sheet	**3,108,820**	4,096,420

Reportable segment liabilities are reconciled to total liabilities as follows:

	2015 **HK$'000**	2014 *HK$'000*
Segment liabilities	**1,508,940**	2,039,056
Corporate liabilities	**66,752**	447,967
Deferred taxation liabilities	**3,121**	2,857
Total liabilities per consolidated balance sheet	**1,578,813**	2,489,880

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

Geographical information:

	2015 *HK$'000*	2014 *HK$'000*
Hong Kong and Macau	**2,943,482**	3,476,196
PRC	**963,042**	642,071
Revenues from external customers	**3,906,524**	4,118,267

Revenues are attributed to locations where the transactions took place.

4 Other income

	2015 *HK$'000*	2014 *HK$'000*
Fair value gain on investment properties	**2,183**	2,615
Realised gain/(loss) on available-for-sale financial assets	**306**	(592)
Others	**3,706**	4,507
	6,195	6,530

5 Operating (loss)/profit

Operating (loss)/profit is arrived at after charging:

	2015 *HK$'000*	2014 *HK$'000*
Loss on disposal of property and equipment	**1,239**	3,488
Direct operating expenses arising from investment properties that:		
- generated rental income	**454**	471
- did not generate rental income	**58**	34
Auditor's remuneration		
- audit services	**3,958**	3,682
- non-audit services	**916**	916

6 Finance income and costs

	2015 *HK$'000*	2014 *HK$'000*
Finance income		
Bank interest income	**2,663**	3,196
Finance costs		
Interest on bank loans, overdrafts and other loans	**(10,028)**	(19,791)
Finance costs, net	**(7,365)**	(16,595)

7 Taxation

	2015 *HK$'000*	2014 *HK$'000*
Current		
Hong Kong profits tax	**2,656**	22,524
Overseas	**13**	2,740
Deferred	**5,924**	14,293
	8,593	39,557

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year. 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.

8 Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

9 (Loss)/earnings per share

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

	2015	2014
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders	**(99,486)**	63,975
Number of shares for calculation of basic earnings per share (thousands)	**718,046**	718,046
Effect on conversion of share options (thousands)	**-**	49
Number of shares for calculation of diluted earnings per share (thousands)	**718,046**	718,095
Basic (loss)/earnings per share (HK cents)	**(13.86)**	8.91
Diluted (loss)/earnings per share (HK cents)	**(13.86)**	8.91

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

In calculating the diluted (loss)/earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted loss per share for the year ended 31 December 2015 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

10 Trade and other receivables

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

	2015	2014
	HK$'000	*HK$'000*
Not yet due	**1,027,974**	1,646,247
Less than 30 days	**21,872**	19,386
31 to 60 days	**27,004**	12,617
61 to 90 days	**9,078**	4,547
Over 90 days	**7,696**	9,054
	1,093,624	1,691,851

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

11 Trade and other payables

Commissions payable include mainly the commissions payable to property consultants, co-operative estate agents and clients, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK$229,927,000 (2014: HK$194,025,000) which are due for payment within 30 days, and all the remaining commissions payable 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

For the year ended 31 December 2015, the Group recorded a loss attributable to equity holders of approximately HK$99 million as compared to a profit attributable to equity holders of approximately HK$64 million for the year ended 31 December 2014. The Group's results for the year ended 31 December 2015 were adversely affected by, among other factors:

1. drop in the residential property market sales activities in Hong Kong; and

2. keen competition in the property agency industry in both mainland China and Hong Kong which also led to increase in operating costs.

In the first few months of 2015, the buoyant stock market once triggered positive sentiment in the property market. In the first half of last year, the volume and value of sales registrations of residential property in Hong Kong recorded a year-on-year growth of 3.8% and 21.7% respectively*. However, the residential property sector took an abrupt turn in the second half of 2015 when the stock market switched from bull to bear.

Policies taking toll

After the financial tsunami, the Government has been actively introducing various types of property cooling measures. First, the mortgage ceiling for property transactions valued at HK$20 million or above was lowered from 70% to 60% in October 2009. Then, the Hong Kong Monetary Authority ("HKMA") extended the restriction to property transactions worth HK$12 million or above. When these two measures failed to achieve the desired result, the Government introduced Special Stamp Duty ("SSD") in October 2010. Since property prices had not stopped rising, the Government further brought in Buyer's Stamp Duty ("BSD") and Double Stamp Duty ("DSD") in 2012 and 2013 respectively. In the meantime, HKMA tightened the mortgage lending requirements for several times.

Despite the implementation of tough policies, property prices still doubled in the six-year period from October 2009. The consolidation, however, has been taking place at the sales activity front (please refer to the table below for details).

In the second half of 2015, the slowdown in economic growth in mainland China, depreciation of Renminbi and sharp correction in equities market aroused fear among potential buyers and sellers. For a start, transaction volume began to shrink in last July. Then, property prices started to correct in last October. However, as demand was suppressed by tough policies, price correction failed to stimulate sales activity and the secondary market was virtually frozen. In second half of last year, even developers were unable to sell as many units as in the first half.

Constrained by keen competition

The Group's loss, to a certain extent, reflects the woes facing the estate agency industry. Among other factors, high rental costs and low transaction volume were main blows to our profitability. Recent data point to the seriousness of the problems. In the final quarter of 2015, secondary residential sales registrations only amounted to around 5,839 units, the lowest since this figure was first tracked in 1996. However, competition continued to intensify and the other market players still added new branches. Despite the weakness of the retail sector, rents of our local branches still went up in average upon renewal during the reporting year.

** The residential market activity in the first half of last year is reflected by the figures of sales registrations of residential property in the six-month period from February to July because, in general, there is a one-month time-lag involved in the process of property registrations.*

According to the figures provided by the Estate Agents Authority, salesperson's and estate agent's licences held by individuals reached a new all-time high of 37,568 as at 31 December 2015.

In this challenging period, the Group revised its plans for expansion of our Hong Kong operation according to the market condition in the second half of 2015. Since the property market in the tier-1 cities of mainland China was robust, the scale of our branch network in mainland China grew mildly.

OUTLOOK

Tough outlook

The macroeconomic conditions are extremely tough. In recent years, the world economy has been battered by various kinds of worries such as Euro Debt Crisis and lack of growth. In 2016, deep drop in the oil prices and slowdown of the mainland China economy have further shaken the market confidence which has already been very fragile.

In the local market, the corrections of the stock market and property market have weakened the consumption and investment sentiment. Furthermore, the strengthening of US dollars has posed strong threat to the retail industry. Last year, tourist arrivals to Hong Kong fell by 2.5% compared with the solid growth of 12% in 2014. During the Lunar New Year holidays, mainland tourist arrivals to Hong Kong were down 12%, significantly worse than that in the corresponding period in 2015. However, a point worth mentioning is that mainland tourist arrivals to Macau grew 4.3% over the Lunar New Year holidays notwithstanding that the exchange rate between Hong Kong dollars and Macao patacas has been very stable. Obviously, Hong Kong retail industry is gradually losing competitiveness. Not only did fewer mainlanders come to Hong Kong, more Hong Kong residents travelled abroad. Last year, the number of Hong Kong residents who departed Hong Kong by air grew by 13%. The local retail sector has been showing signs of weaknesses, and in 2015, total retail sales in Hong Kong declined 3.7%. Prices and rents for retail properties have declined.

Hong Kong Disneyland posted financial loss in 2015, which is another concrete evidence of the slowdown of the tourism and retail sectors. These two sectors are expected to further deteriorate after the opening of Shanghai Disneyland in June 2016. They have been one of the important pillars of the local economy. If they further weaken, the business environment in Hong Kong would inevitably be hard hit.

In the near term, the local economy will be subject to the economic development in mainland China, and the reform in Renminbi has resulted in rising market volatility in China and Hong Kong. However, we are confident that, in longer term, economic stimulus together with economic reforms can support a sustainable and stable growth. The "Belt and Road" initiative will also provide new opportunities to the local economy.

It is expected that the consolidation of the property market will be relatively long. The grim external and local economic conditions will continue to put pressure on the Hong Kong property sector. Home prices have begun to correct since the final quarter of 2015. In terms of transaction volume, the secondary residential market has been even quieter than that in the period of Severe Acute Respiratory Syndrome in 2003. In theory, the self-adjusting mechanism of the property market will restore market activity as property prices go downwards. However, various demand curb measures have led to market abnormality. If the economy worsens and unemployment rate goes up, property prices correction may be hard to contain and the problem of negative equities in property value may return with significant adverse impact and cause the economy to suffer heavily as a whole.

Urge for relaxation of policies

In our view, the Government should start considering loosening some tough measures such as abolishing DSD. If the Government does so, demand for upgrading flats is likely to be released and liquidity of the property market can be boosted, and the property market can avoid a man-made crisis. Since supply is rising and economy is losing steam, downtrend of property prices is unlikely to be reversed even if one to two tough measures are relaxed. However, policy loosening may help alleviate the shock of property prices and help stabilize the overall business environment in Hong Kong. As a matter of fact, the mainland government has already loosened some housing measures so as to reinvigorate the economy. Therefore, it is recommended that Hong Kong Government should not act behind the curve. Property prices fell by about 9% from September 2015 to January 2016 and procrastination in policy change may lead to a colossal damage to the economy. In our view, the mini-recovery taking place recently is likely to be a short-term rebound stemming from a low comparative base. The market fundamentals have not shown any improvement.

Despite the property market switching from bull to bear, estate agency industry has not yet consolidated. Competition among estate agents is still keen but there are signs that the expansion of the industry is likely to stall for a while. Rental cost pressure is expected to moderate when the overall local retail sector weakens, but the degree of rental reductions in estate agency industry still far lags behind the correction of property market. The Group has already stepped up its efforts in containing rental expenses and is prepared to engage in serious negotiations with landlords.

The Group has dealt with market downturns for a number of times before but we have always become stronger when the market gets better. Undoubtedly, managing the number of staff and scale of branch network has become much more difficult as the competitive environment has changed. Moreover, the global and local economic headwinds are impacting every participant in the industry. However, we have strived to deal with the challenges. We are confident that the Group can leverage on its solid foundation to strengthen its business platform. The Group also believes that the players without a long-term viable business model will suffer the most and will be knocked out gradually.

Ride against the tide Build a better future

The Group has already initiated cost efficiency improvement measures such as network optimization and staff performance enhancement program, which will have positive impact on our cost base in the future. At the same time, the Group has highlighted information technology development as one of its major initiatives. The Group has placed great emphasis on customers' experience which has permeated our marketing strategies. The Group intends to build its relationship with customers via multi-pronged approach. Apart from physical branch network and traditional marketing campaigns, the Group has emphasized on the application of social media for the purpose of communicating with potential clients.

The Group will continue to uplift the value of every business unit, adhere to the strategy of resources optimization and strengthen synergy internally so as to further enhance its competitiveness. The Group has begun to restructure for simplification. The non-core business units such as overseas properties, Macau, and immigration consultancy have been consolidated. Meanwhile, the Group will continue to pay attention to market needs and listen attentively to customers' feedback. Admittedly, this era of policy intervention has made the business operations of the estate agency industry very difficult. I, as the founder and Chairman, shall continue to work closely with members of the Board to enhance the efficiency and effectiveness of the Group.

Impacts of the administrative measures on the property market:

Announce-ment Date	Demand-side Management Measures	Period	Average Monthly Secondary Residential Transaction Volume
Oct 2009	60% financing for high-end properties: For residential properties valued at HK$20 million or above, the loan-to-value ("LTV") ratio will be capped at 60%	Nov 2009 to Aug 2010	9,943
Aug 2010	Tightening mortgage financing: Applying a maximum LTV ratio of 60% to properties with a value at or above HK$12 million	Sep 2010 to Nov 2010	10,069
	Stress Test: Banks should stress-test mortgage applicants' repayment ability, assuming an increase in mortgage rates of at least two percentage points, and limit the stressed debt servicing ratio to a cap of 60%		
Nov 2010	SSD: The Government amended the Stamp Duty Ordinance by introducing, on top of the ad valorem stamp duty ("AVD"), an SSD on residential properties of all values at the point of resale if the properties are acquired on or after 20 November 2010 and resold within 24 months after acquisition	Dec 2010 to Jun 2011	8,330
	Tightening of mortgage financing: Lowering the maximum LTV ratio for medium price and luxury residential properties		
Jun 2011	Tightening of mortgage financing: Further lowering the maximum LTV ratio for medium price and luxury residential properties	Jul 2011 to Oct 2012	5,222
Sep 2012	Another round of tightening of mortgage financing: HKMA issued guidelines to banks on tightened underwriting criteria for loans to borrowers with multiple property mortgages and a newly introduced ceiling for loan tenors	Nov 2012 to Feb 2013	4,714
Oct 2012	Toughening the imposition of SSD: Amending the Stamp Duty Ordinance to adjust the duty rates and extend the coverage period in respect of the SSD, and introduce a BSD on residential properties acquired by any person except a Hong Kong Permanent Resident		
Feb 2013	DSD: Increasing the rates of AVD by introducing DSD applicable to both residential and non-residential properties	Mar 2013 to Feb 2015	3,588
	Strengthening the Stress Test: In stress-testing mortgage applicants' repayment ability, banks are required to assume a mortgage rate increase of 300 basis points, instead of the 200 basis points		
Feb 2015	Tightening of mortgage financing: The maximum LTV ratio for self-use residential properties with value below HK$7 million will be lowered by a maximum of 10 percentage points	Mar 2015 to Dec 2015	2,972

FINANCIAL REVIEW

Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and loan facilities from banks.

As at 31 December 2015, the Group had cash and bank balances of HK$1,303,066,000 (2014: HK$1,764,485,000).

As at 31 December 2015, the interest-bearing bank borrowings of the Group amounted to HK$58,188,000 (2014: HK$426,118,000) and with maturity profile set out as follows:

Repayable	**2015** **HK$'000**	2014 HK$'000
Within 1 year	**50,946**	417,928
After 1 year but within 2 years	**964**	945
After 2 years but within 5 years	**3,004**	2,947
Over 5 years	**3,274**	4,298
	58,188	426,118

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

As at 31 December 2015, the gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 3.80% (2014: 26.52%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.7 (2014: 1.5). The return on equity, which is the ratio of (loss)/profit for the year over total equity of the Group, was -6.48% (2014: 4.65%).

As at 31 December 2015, the Group has unutilised borrowing facilities amounting to approximately HK$1,485,000,000 from various banks. As at 31 December 2014, the Group had unutilised borrowing facilities amounting to approximately HK$413,000,000 from various banks and an independent third party. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company ("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 2015, certain land and buildings and investment properties held by the Group of HK$86,305,000 (2014: HK$90,471,000) and HK$76,360,000 (2014: HK$58,310,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured by floating charge over certain receivables of the Group, inter alia, with carrying value of approximately HK$932,017,000 (2014: HK$307,620,000). As at 31 December 2015, no bank deposit (2014: HK$3,400,000) was pledged to secure general 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. 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 Group's PRC subsidiaries 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 as this stage but will closely monitor its fluctuations.

Contingent liabilities

As at 31 December 2015, the Company executed corporate guarantee of HK$1,562,000,000 as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2014, the Company executed corporate guarantee of HK$864,500,000 as part of the securities for general banking and other loan facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2015, HK$59,364,000 of these facilities were utilised by the subsidiaries (2014: HK$426,179,000).

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 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 benefits is probable.

Employee information

As at 31 December 2015, the Group employed 11,673 full time employees (2014: 9,211) of which 10,391 were sales agents, 608 were back office supportive employees and 674 were frontline supportive employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus and 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 2015 (2014: Nil).

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2015.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions throughout the year ended 31 December 2015.

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 2015.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Company for the year ended 31 December 2015. The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2015 have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2015 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 2015 Annual Report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I am thankful to our shareholders, customers and staff who have provided their support to the Group during this challenging period.

By Order of the Board
Midland Holdings Limited
WONG Kin Yip, Freddie
Chairman

Hong Kong, 23 March 2016

As at the date of this announcement, the Board comprises eleven Directors, of which four are Executive Directors, namely Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela, Mr. WONG Tsz Wa, Pierre and Mr. CHEUNG Kam Shing; three are Non-Executive Directors, namely Mr. WONG Kin Yip, Freddie, Mr. KAN Chung Nin, Tony and Ms. IP Kit Yee, Kitty; and four are Independent Non-Executive Directors, namely Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu, Mr. CHAN Nim Leung, Leon and Mr. WONG San.