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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 2017

The board of directors (the "Board") of Midland Holdings Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017** ***HK$'000***	2016 *HK$'000*
Revenues	*3(a)*	**5,294,115**	5,076,148
Other income and gains	*4*	**13,436**	16,196
Staff costs		**(2,712,435)**	(2,885,498)
Rebate incentives		**(1,352,541)**	(1,014,430)
Advertising and promotion expenses		**(62,319)**	(85,431)
Operating lease charges in respect of office and shop premises		**(623,216)**	(622,481)
Impairment of receivables		**(61,749)**	(97,126)
Depreciation and amortisation costs		**(49,437)**	(52,012)
Other operating costs		**(253,774)**	(297,877)
Operating profit	*5*	**192,080**	37,489
Finance income	*6*	**813**	2,736
Finance costs	*6*	**(20,762)**	(10,504)
Share of results of joint ventures		**30,975**	11,544
Share of results of associates		**31,962**	(1,256)
Profit before taxation		**235,068**	40,009
Taxation	*7*	**(41,616)**	(24,730)
Profit for the year		**193,452**	15,279

*For identification purpose only

CONSOLIDATED INCOME STATEMENT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
Profit attributable to:			
Equity holders		**193,452**	10,549
Non-controlling interests		**-**	4,730
		193,452	15,279
Dividends	*8*	**35,902**	168,741
Earnings per share	*9*	***HK cents***	*HK cents*
Basic		**26.94**	1.47
Diluted		**26.45**	1.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**193,452**	15,279
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(16,304)**	12,314
Fair value gains on available-for-sale financial assets	**2,665**	1,178
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**(1,575)**	(418)
	(15,214)	13,074
Total comprehensive income for the year, net of tax	**178,238**	28,353
Total comprehensive income for the year attributable to:		
Equity holders	**178,238**	23,623
Non-controlling interests	**-**	4,730
	178,238	28,353

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property and equipment		**140,235**	134,473
Investment properties		**90,591**	87,399
Land use rights		**1,174**	1,117
Interests in joint ventures		**49,254**	68,279
Interests in associates		**360,355**	325,129
Available-for-sale financial assets		**7,028**	10,449
Deferred taxation assets		**19,432**	20,467
		668,069	647,313
Current assets			
Trade and other receivables	*10*	**2,583,475**	2,219,865
Taxation recoverable		**2**	777
Cash and cash equivalents		**1,158,645**	876,490
		3,742,122	3,097,132
Total assets		**4,410,191**	3,744,445

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31 DECEMBER 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**71,805**	71,805
Share premium		**223,505**	223,505
Reserves		**1,066,469**	888,231
Total equity		**1,361,779**	1,183,541
Non-current liabilities			
Deferred taxation liabilities		**3,846**	3,230
Current liabilities			
Trade and other payables	*11*	**2,626,842**	2,196,049
Borrowings		**359,900**	355,600
Taxation payable		**57,824**	6,025
		3,044,566	2,557,674
Total liabilities		**3,048,412**	2,560,904
Total equity and liabilities		**4,410,191**	3,744,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton 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 the provision of property agency services in Hong Kong, the People's Republic of China (the "PRC") and Macau.

2 Basis of preparation

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 ("HKICPA"). 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.

(a) Amendments effective in 2017

Annual Improvements Project	Annual Improvements 2014-2016 Cycle
HKAS 7 (amendments)	Disclosure Initiative
HKAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

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

2 Basis of preparation (Continued)

(b) New standards, interpretation and amendments which are not yet effective

The following new standards, interpretation and amendments to standards have been issued but are not effective for 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9 (Note (i))	Financial Instruments	1 January 2018
HKFRS 15 (Note (ii))	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16 (Note (iii))	Leases	1 January 2019
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 10 and HKAS 28 (amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Notes:

(i) HKFRS 9, “Financial Instruments”

Management is assessing the impacts of the adoption of this new standard but does not consider there will be a significant impact to the Group’s consolidated financial statements.

(ii) HKFRS 15, “Revenue from contracts with customers”

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

2 Basis of preparation (Continued)

(b) New standards, interpretation and amendments which are not yet effective (Continued)

(ii) HKFRS 15, “Revenue from contracts with customers” (Continued)

Impact
Management is currently assessing the effects of applying the new standards on the Group’s consolidated financial statements and has identified the application of HKFRS 15 may result in the identification of variable consideration. More detailed assessment will be carried out by the Group to estimate the impact of the new rules on the Group’s consolidated financial statements.

Date of adoption by the Group
The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard from its effective date.

(iii) HKFRS 16, “Leases”

Nature of change
HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact
The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$962,528,000.

The Group has not yet assessed what adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group’s profit or loss and classification of cash flows going forward.

Date of adoption by the Group
The adoption of this standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The expected impacts of the adoption of the other new standards, interpretation and amendments to standards are still being assessed by the management, and management is not yet in a position to state whether they would have a significant impact on the Company’s results of operations and financial position.

3 Revenues and segment information

(a) Revenues

	2017	2016
	HK$'000	*HK$'000*
Agency fee	**5,277,605**	5,054,125
Immigration consultancy services	**7,440**	15,572
Rental income	**3,355**	3,448
Web advertising	**1,581**	1,486
Other services	**4,134**	1,517
	5,294,115	5,076,148

(b) Segment information

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

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

	Year ended 31 December 2017			
	Property agency			
	Residential properties	**Commercial and industrial properties and shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Total revenues	**5,167,977**	**109,628**	**24,142**	**5,301,747**
Inter-segment revenues	**-**	**-**	**(7,632)**	**(7,632)**
Revenues from external customers	**5,167,977**	**109,628**	**16,510**	**5,294,115**
Segment results	**232,652**	**27,593**	**43,971**	**304,216**
Impairment of receivables	**(59,625)**	**(2,124)**	**-**	**(61,749)**
Depreciation and amortisation costs	**(45,942)**	**(2,315)**	**(716)**	**(48,973)**
Share of results of joint ventures	**-**	**-**	**30,975**	**30,975**
Share of results of associates	**-**	**31,962**	**-**	**31,962**
Fair value gains on investment properties	**-**	**-**	**4,839**	**4,839**
Additions to non-current assets	**51,919**	**1,002**	**46**	**52,967**

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2016			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total revenues	4,505,707	680,911	29,655	5,216,273
Inter-segment revenues	(106,387)	(26,106)	(7,632)	(140,125)
Revenues from external customers	4,399,320	654,805	22,023	5,076,148
Segment results	43,531	7,715	18,125	69,371
Impairment of receivables	(73,318)	(23,808)	-	(97,126)
Depreciation and amortisation costs	(41,801)	(8,159)	(856)	(50,816)
Share of results of joint ventures	-	-	11,544	11,544
Share of results of associates	-	(1,256)	-	(1,256)
Fair value gains on investment properties	-	-	1,438	1,438
Additions to non-current assets	49,743	1,712	31	51,486

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, release of investment revaluation reserve upon disposal of available-for-sale financial assets, gain on disposal of subsidiaries, gain on dilution of equity interests in associates, 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 profit before taxation is provided as follows:

	2017	2016
	HK$'000	*HK$'000*
Segment results for reportable segments	**304,216**	69,371
Corporate expenses	**(54,038)**	(31,816)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**1,575**	418
Gain on disposal of subsidiaries	**-**	9,804
Gain on dilution of equity interests in associates	**3,264**	-
Finance income	**813**	2,736
Finance costs	**(20,762)**	(10,504)
Profit before taxation per consolidated income statement	**235,068**	40,009

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 2017			
	Property agency			
	Residential properties	**Commercial and industrial properties and shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**3,301,989**	**391,026**	**158,206**	**3,851,221**
Segment assets include:				
Interests in joint ventures	**-**	**-**	**49,254**	**49,254**
Interests in associates	**-**	**360,355**	**-**	**360,355**
Segment liabilities	**2,596,756**	**46,994**	**23,213**	**2,666,963**

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	As at 31 December 2016			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	2,767,027	349,425	176,798	3,293,250
Segment assets include:				
Interests in joint ventures	-	-	68,279	68,279
Interests in associates	-	325,129	-	325,129
Segment liabilities	2,122,591	43,249	20,165	2,186,005

Reportable segment assets are reconciled to total assets as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Segment assets	**3,851,221**	3,293,250
Corporate assets	**532,510**	420,279
Deferred taxation assets	**19,432**	20,467
Available-for-sale financial assets	**7,028**	10,449
Total assets per consolidated balance sheet	**4,410,191**	3,744,445

Reportable segment liabilities are reconciled to total liabilities as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Segment liabilities	**2,666,963**	2,186,005
Corporate liabilities	**377,603**	371,669
Deferred taxation liabilities	**3,846**	3,230
Total liabilities per consolidated balance sheet	**3,048,412**	2,560,904

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

Geographical information:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong and Macau	**4,388,582**	3,746,736
PRC	**905,533**	1,329,412
Revenues from external customers	**5,294,115**	5,076,148

Revenues are attributed to locations where the transactions took place.

4 Other income and gains

	2017	2016
	HK$'000	*HK$'000*
Fair value gains on investment properties	**4,839**	1,438
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**1,575**	418
Gain on disposal of subsidiaries	**-**	9,804
Gain on dilution of equity interests in associates (Note)	**3,264**	-
Others	**3,758**	4,536
	13,436	16,196

Note:

During the year, Midland IC&I Limited ("Midland IC&I"), a listed associate of the Company, issued new shares to a company wholly-owned by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), a director of the Company, pursuant to a transaction entered into between Midland IC&I and Mr. WONG. After the completion of the transaction in March 2017, the Group's equity interests in Midland IC&I was diluted from 44.58% to 33.84% which resulted in a gain on dilution of equity interests.

5 Operating profit

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

	2017	2016
	HK$'000	*HK$'000*
Loss on disposal of property and equipment	**855**	1,089
Direct operating expenses arising from investment properties that:		
- generated rental income	**233**	332
- did not generate rental income	**50**	62
Auditor's remuneration		
- audit services	**3,068**	3,914
- interim results review	**573**	916
- other non-audit services	**660**	211
Net foreign exchange (gains)/losses	**(8,490)**	8,735

6 Finance income and costs

	2017	2016
	HK$'000	*HK$'000*
Finance income		
Bank interest income	**813**	2,736
Finance costs		
Interest on bank loans and overdrafts	**(20,762)**	(10,504)
Finance costs, net	**(19,949)**	(7,768)

7 Taxation

	2017	2016
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**39,014**	30,208
Overseas	**951**	537
Deferred taxation	**1,651**	(6,015)
	41,616	24,730

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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

	2017	2016
	HK$'000	*HK$'000*
Interim dividend by way of distribution in specie	**-**	168,741
Proposed final dividend of HK$0.05 (2016: nil) per share	**35,902**	-
	35,902	168,741

At a board meeting held on 28 March 2018, the Board proposed a final dividend of HK$0.05 per share (2016: nil). This proposed final dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

On 6 December 2016, the Board declared an interim dividend, satisfied by distribution in specie of the shares of Midland IC&I held by the Group to the shareholders of the Company in the proportion of 5 Midland IC&I shares for every share in the issued share capital of the Company. A total of 3,590,230,025 Midland IC&I shares with an aggregate market value of HK$168,741,000 was recognised as distribution in 2016.

9 Earnings per share

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

	2017	2016
	HK$'000	*HK$'000*
Profit attributable to equity holders for the calculation of basic earnings per share	**193,452**	10,549
Adjustment on the effect of dilutive events of associates	**(3,518)**	-
Profit attributable to equity holders for the calculation of diluted earnings per share	**189,934**	10,549
Number of shares for calculation of basic and diluted earnings per share (thousands)	**718,046**	718,046
Basic earnings per share (HK cents)	**26.94**	1.47
Diluted earnings per share (HK cents)	**26.45**	1.47

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

In calculating the diluted earnings per share, the profit attributable to equity holders is adjusted to assume the conversion of all dilutive potential ordinary shares from share options and the convertible note of its associate. Adjustments have been made to profit attributable to equity holders to reflect the dilutive impact in respect of the exercise of share options and convertible note issued by the Group's associates. The weighted average number of shares has not been adjusted as the exercise of the Company's share options have an anti-dilutive effect and the exercise of the share options and the convertible note of the associates does not affect the number of shares of the Company.

10 Trade and other receivables

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

	2017	2016
	HK$'000	*HK$'000*
Not yet due	**2,147,197**	1,859,402
Less than 30 days	**40,058**	26,394
31 to 60 days	**14,355**	8,936
61 to 90 days	**10,833**	6,365
Over 90 days	**29,095**	7,029
	2,241,538	1,908,126

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

11 Trade and other payables

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK$355,727,000 (2016: HK$276,199,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after year end. All the remaining commissions and rebate payables are not yet due.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is pleased to announce that for the year ended 31 December 2017, it recorded a consolidated net profit attributable to equity holders of approximately HK$193 million, representing an increase of approximately 1,700% as compared with that of approximately HK$11 million for the year of 2016.

The significant improvement of the Group's results was mainly attributable to:

1. the year-on-year increase in market transaction activity of the Hong Kong residential market in the year of 2017;
2. the increase in market share in the Hong Kong residential market;
3. effective reallocation and efficient utilization of resources; and
4. the implementation of costs control measures in response to the property market slowdown and challenging operating environment in major cities of mainland China.

During the reporting period, net profit of the Group reached a five-year high. Revenue of the Group, no longer consolidating the revenue of Midland IC&I Limited which is now an associate of the Group, also posted a growth of 4%. These good results demonstrate the agility, adaptability and capability of the management. Furthermore, the previously formulated 3-year plan has transformed and strengthened the Group, and allowed it to gain ground when opportunities arise.

Healthy Growth

The property market fared well in 2017. Buoyant equity market, strong local economy, low interest rate environment were among the factors supporting the growth in property sales activities. According to the figures from the Land Registry, the volume and value of the property registrations in 2017 amounted to 83,815 units and HK$726 billion respectively, up 14.8% and 36.3% from that in 2016. The transaction value outgrew volume, mainly attributable to the extremely good performance of the high end segment, and the double digital growth of property prices in last year. The increase in property prices once raised the government's eyebrows. In last April, administrative measure was launched to plug the loophole of tax saving through multiple new flat purchases under a single sale and purchase contract. However, the impact was not long lasting. Primary home market had consolidated briefly and then revived in the second half.

Secondary market performed well despite the fact that its sales activity was still far from normalcy and the mortgage financing with high loan-to-value ratios offered by developers drew buyers away from the secondary market. Registering a growth of 13% in transaction volume, secondary home market marginally outperformed the primary market last year. Resale units gained attractiveness as the price gap between these units and the primary units widened. Transaction volume of the high-end segment increased the most. According to the figures provided by Midland Property Data and Research Center the transaction volume of the secondary residential properties valued over HK$20 million surged by about 54% in 2017,and that valued between HK$10 million to HK$20 million increased by more than 50%. The growth in transaction volume of the medium-to-high end properties signified the revival of upgrading demand.

Among the segments of the non-residential market, the office sector was spectacularly strong, and its solid performances were backed by a lot of positive news. First, Henderson Land group in last May paid HK$23.3 billion for the commercial site in the Central district sold by the government. Then, LVGEM (China) group in last October announced the HK$9 billion purchase of an office building in Kwun Tong from The Wharf (Holdings) group. Another strong dose of stimulant was the disposal of The Center by CK Asset group for a record breaking price of HK$40.2 billion. The buoyance of the office sector further invigorated the sentiments of the overall property market, especially at the higher end.

Improvements in operation

Hefty stamp duties and tight mortgage lending requirements have been the new normal of the property market for quite some time. Since the year of 2012, the overall market transaction volume in Hong Kong has failed to reach the level of 100,000 units a year. As a result, the competitive landscape has become fiercer and fiercer.

To stay ahead of the competition, the Group has responded through strengthening the efforts of resources allocation and expanding the market share in the new home sector.

The Group has also poured resources into infrastructure such as mobile platform and communication system. In recent years, the Group has reengineered the non-sales division as well. Some new professional units such as business process and digital marketing have been established to reinforce the support for the sales operations. Furthermore, the new on-line live chat services launched at the official website of Midland Realty have borne good fruits in enhancing customer experience, perfecting sales network and facilitating property deals closing.

During the reporting period, the business environment of our mainland operation was challenging. Last October, the central government reiterated that houses were built for inhabitation, but not for speculation. Due to the tightening of government policies, the volume of both primary and secondary home transactions in Shenzhen fell by 36 % and 34% respectively last year. Since the majority of our branches in the mainland are located in this tier one city, our mainland operation was plagued by the drop in sales activity and in response, cost control measures were introduced to minimize the effect of the market slowdown.

OUTLOOK

Synchronized global growth

The global economy is enjoying synchronized upswing. Worries about de-globalization, the tensions between US and North Korea and Brexit negotiations have caused only temporary setbacks to investors' confidence. The US economy is in great shape and is expected to bloom after the tax reform. After a good performance in 2017, the Euro economy is likely to register growth again in 2018. More encouragingly, the fundamentals of the mainland economy has been unscathed by the concerns of overcapacity and renminbi devaluation. Mainland GDP grew 6.9% in 2017, the first annual acceleration for the economy since 2010. Renminbi has even resumed its uptrend. While the global economic outlook is bright, the fear of accelerated interest hikes and threat of trade disputes may hamper the growth.

The local economy is also expected to show reasonable growth. Low unemployment rate and strong consumer confidence would provide support to the business environment. Moreover, the sharp rebound of renminbi has led to an uptick in mainland travelers, fueling the local retail sector. The economy is likely to continue to grow steadily when the physical connectivity between Hong Kong and the mainland further strengthens after the completion of the two mega projects, namely, the Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link. The Group also believes that the spending earmarked by the recent financial budget for technological developments will boost the GDP growth in the longer term.

The Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect have already cemented the role of Hong Kong as an international financial center. The southbound flow (investment from the mainland to Hong Kong stock market) has also become an important force behind the local stock market.

Starting on a high note

Amid a positive economic outlook, the Group believes that the Hong Kong property market will continue to perform well in 2018. In the first two months of 2018, property prices rose moderately and sales responses to new launches have been strong. When the prices in the new home sector stay high, the secondary market is playing catchup. The growth of sales of the secondary units can be quite significant because of the low-comparative base. However, it is unlikely for the secondary market sales activity to return to pre-policy tightening level in the absence of drastic revisions of the housing polices.

The recent stock market turbulence is believed to have mixed impacts on the property sector. On one hand, wealth effect may be weakened. On the other hand, stock market volatility may strengthen the role of property market as a safe haven.

High property prices are a common concern in Hong Kong and the Mainland, and government policies are expected to remain as the most critical factor for the both property markets. Seemingly, the current local administration aims to steer the measures towards increasing supply. For a start, the starter home program announced in the latest policy address may expedite the farm land conversion. Then, the Legislative Council passed the amendment bill to extend the holding period for homeowners to sell their existing properties from 6 months to 12 months. In additions, the Housing Authority has regularized the White Form Secondary Market Scheme, thus boosting the supply of low-to-medium end units. There was no mention of any tightening measure when the budget speech was delivered at the end of last February. If the government focuses on managing supply instead of suppressing demand to deal with the asset appreciation, the home market and property agency industry will develop healthily. However, the improvements of the market sentiments may prompt our competitors to engage in aggressive expansion plan, resulting a more competitive environment.

Progress with time

The world is ever changing and the Group needs to evolve so as to keep abreast of the times. The 3-year plan formulated at the end of 2013 has already brought positive impacts to the Group, and a new 3-year plan has been formulated for future developments:

1. Developing a holistic sales platform which caters for the property-related needs of our customers;
2. Improving the efficiencies and effectiveness of our online platform whilst increasing the mobility of our internal IT systems and platform;
3. Establishing solid relationships with the mainland developers who entered the local market in recent years; and
4. Improving the strategies of our mainland operations.

It has been an ongoing exercise to keep improving customer experience and staff productivity by better technological offerings. In the next few years, the Group will allot more resources in innovation and technology. We will strive to grow and strengthen our customer-centric holistic sales platform. Steps have been taken to strengthen the interaction between the Hong Kong and mainland operations with the goal to increase referrals of clients among various business units and market share. With the rising trend of the involvement of the mainland developers in the local property market, the Group has put up efforts to build long-term business relationships with them. One successful case is that Midland Realty has been appointed by China Metallurgical group to be the sole agent for the sale of L'AQUATIQUE, a new project located in Tsuen Wan.

The Group has also initiated measures to upgrade the infrastructure of our mainland supporting functions with a view to enhancing its capability to execute strategic projects and initiatives when opportunities arise.

The Group will step up its efforts in satisfying the needs of the modern customers who generally have a strong sense of entitlements. Comprehensive branch network, online and mobile platform, professional sales team and healthy financial background are still the key success factors in the Hong Kong property agency industry. The Group will definitely keep sharpening its edges in these areas and will keep looking for opportunities that may create synergies with the existing principal activities of the Group.

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 2017, the Group had cash and cash equivalents of HK$1,158,645,000 (2016: HK$876,490,000). The increase in the cash and cash equivalents was mainly due to the increase in cash inflows from operating activities.

As at 31 December 2017, the interest-bearing bank borrowings of the Group amounted to HK$359,900,000 (2016: HK$355,600,000) and with maturity profile set out as follows:

Repayable	**2017** ***HK$'000***	2016 *HK$'000*
Within 1 year	**359,900**	355,600

As at 31 December 2017, the gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 26.4% (2016: 30.0%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.2 (2016: 1.2). The return on equity, which is the ratio of profit for the year over total equity of the Group, was 14.21% (2016: 1.29%).

As at 31 December 2017, the Group has unutilised borrowing facilities amounting to approximately HK$1,975,100,000 (2016: HK$1,464,400,000) from various banks. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company (the "Directors") will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

As at 31 December 2017, certain land and buildings and investment properties held by the Group of HK$60,679,000 (2016: HK$61,786,000) and HK$57,350,000 (2016: HK$58,510,000) 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$2,186,067,000 (2016: HK$1,850,736,000).

The Group's cash and cash equivalents 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 2017, the Company executed corporate guarantee of HK$2,397,000,000 (2016: HK$1,862,000,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2017, HK$387,006,000 of these facilities were utilised by the subsidiaries (2016: HK$367,177,000).

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

Employee information

As at 31 December 2017, the Group employed 7,452 full time employees (2016: 9,267) of which 6,239 were sales agents, 660 were back office supportive employees and 553 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, 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.

ADDITIONAL FINANCIAL INFORMATION

On 6 December 2016, the Company declared a dividend, satisfied by distribution in specie of the shares of Midland IC&I held by the Group to the shareholders of the Company in the proportion of 5 Midland IC&I shares for every share in the issued share capital of the Company. Details of the transaction were disclosed in the announcements of the Company dated 6 December 2016 and 23 December 2016 respectively.

After the distribution in specie of the shares of Midland IC&I held by the Group to the shareholders of the Company in December 2016, the Group's equity interest in Midland IC&I has been diluted from 70.78% to 44.58%, resulting in a loss of control over Midland IC&I and Midland IC&I and its subsidiaries (collectively the "Midland IC&I Group") ceased to be the subsidiaries of the Company. Accordingly, the Group's investment in Midland IC&I was accounted for as interests in associates using the equity method.

The following unaudited pro forma consolidated income statement has been prepared on the basis that the Midland IC&I Group has ceased to be the subsidiaries of the Company since 1 January 2016 and has been prepared for information purposes only and does not form part of the financial information.

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	HK$'000
Revenues	**5,294,115**	4,689,998
Other income and gains	**13,436**	15,265
Staff costs	**(2,712,435)**	(2,641,657)
Rebate incentives	**(1,352,541)**	(994,375)
Advertising and promotion expenses	**(62,319)**	(71,633)
Operating lease charges in respect of office and shop premises	**(623,216)**	(586,377)
Impairment of receivables	**(61,749)**	(76,097)
Depreciation and amortisation costs	**(49,437)**	(47,192)
Other operating costs	**(253,774)**	(269,921)
Operating profit	**192,080**	18,011

FINAL DIVIDEND

The Directors recommended the payment of a final dividend of HK$0.05 per ordinary share for the year ended 31 December 2017 (2016: Nil) to shareholders whose names appear on the register of members of the Company on Friday, 8 June 2018. The total dividend for the year would amount to HK$0.05 per ordinary share, totalling HK$35,902,000 for the year (2016: Nil). Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 1 June 2018 (the "AGM"), the final dividend will be paid on Thursday, 14 June 2018.

CLOSURE OF REGISTER OF MEMBERS

(i) AGM

The register of members of the Company will be closed from Tuesday, 29 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 May 2018.

(ii) Final Dividend

The proposed final dividend is subject to the approval of the shareholders at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 7 June 2018, to Friday, 8 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 6 June 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2017.

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 at all applicable times during the year ended 31 December 2017.

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 2017.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2017. The figures in respect of this announcement of the Group's results for the year ended 31 December 2017 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 this announcement.

PUBLICATION OF 2017 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midland.com.hk). The 2017 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

I would like to express my heart-felt appreciation to the Directors and our employees for their contributions to the Group. I would also like to take this opportunity to express my gratitude to all of our shareholders and customers for their continued support.

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

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises eight Directors, of which four are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. WONG Tsz Wa, Pierre and Mr. CHEUNG Kam Shing; one is Non-Executive Director, namely Mr. WONG Wing Cheung Dennis; and three are Independent Non-Executive Directors, namely Mr. HO Kwan Tat, Ted, Mr. SUN Tak Chiu and Mr. WONG San.