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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 2018

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 2018 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** **HK$'000**	2017 *HK$'000*
Revenues	*4(a)*	**5,010,221**	5,294,115
Other income and gains	*5*	**5,882**	13,436
Staff costs		**(2,596,653)**	(2,712,435)
Rebate incentives		**(1,235,698)**	(1,352,541)
Advertising and promotion expenses		**(52,355)**	(62,319)
Operating lease charges in respect of office and shop premises		**(706,914)**	(623,216)
Net impairment loss on financial assets		**(47,706)**	(61,749)
Depreciation and amortisation costs		**(55,346)**	(49,437)
Other operating costs		**(270,874)**	(253,774)
Operating profit	*6*	**50,557**	192,080
Finance income		**546**	813
Finance costs		**(16,711)**	(20,762)
Share of results of joint ventures		**27,849**	30,975
Share of results of associates		**16,295**	31,962
Profit before taxation		**78,536**	235,068
Taxation	*7*	**(20,402)**	(41,616)
Profit for the year attributable to equity holders		**58,134**	193,452

*For identification purpose only

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Dividends	*8*	**22,977**	35,902
Earnings per share	*9*	***HK cents***	*HK cents*
Basic		**8.10**	26.94
Diluted		**7.95**	26.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders	**58,134**	193,452
Other comprehensive income		
Item that will not be reclassified to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	**1,156**	-
Items that may be reclassified to profit or loss		
Currency translation differences	**1,435**	(16,304)
Fair value gains on available-for-sale financial assets	**-**	2,665
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**-**	(1,575)
Other comprehensive income/(loss) for the year, net of tax	**2,591**	(15,214)
Total comprehensive income for the year attributable to equity holders, net of tax	**60,725**	178,238

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property and equipment		**136,518**	140,235
Investment properties		**91,160**	90,591
Land use rights		**1,072**	1,174
Interests in joint ventures		**45,637**	49,254
Interests in associates		**376,650**	360,355
Available-for-sale financial assets		**-**	7,028
Financial assets at fair value through other comprehensive income		**5,635**	-
Deferred tax assets		**17,093**	19,432
Loan receivables		**4,425**	-
		678,190	668,069
Current assets			
Trade and other receivables	*10*	**2,907,556**	2,583,475
Taxation recoverable		**27,102**	2
Loan receivables		**38,758**	-
Short-term bank deposits		**4,584**	-
Cash and cash equivalents		**937,706**	1,158,645
		3,915,706	3,742,122
Total assets		**4,593,896**	4,410,191

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	**2018** **HK$'000**	2017 HK$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**71,805**	71,805
Share premium		**223,505**	223,505
Reserves		**1,160,788**	1,066,469
Total equity		**1,456,098**	1,361,779
Non-current liabilities			
Deferred tax liabilities		**3,980**	3,846
Current liabilities			
Trade and other payables	*11*	**2,874,810**	2,626,842
Borrowings		**255,500**	359,900
Taxation payable		**3,508**	57,824
		3,133,818	3,044,566
Total liabilities		**3,137,798**	3,048,412
Total equity and liabilities		**4,593,896**	4,410,191

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 ("HKFRSs") 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 financial assets at fair value through other comprehensive income, which are carried at fair values.

(a) New standards, interpretation and amendments effective in 2018

The following new HKFRSs are mandatory for the financial year beginning 1 January 2018 and the impacts of the adoption of these new HKFRSs are disclosed in note 3.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related amendments

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and the expected credit loss for financial assets, and impacted by HKFRS 15 in relation to timing of revenue recognition and the identification and existence of variable consideration. Details of the changes in accounting policies are discussed in note 3(a) for HKFRS 9 and note 3(b) for HKFRS 15.

The following new interpretation and amendments are mandatory for the financial year beginning 1 January 2018, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods:

HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advanced Consideration
Annual Improvements to HKFRSs	2014-2016 Cycle published in March 2017 by HKICPA

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 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 9 (amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases (note)	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation)	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

Note:
HKFRS 16, "Leases"

It will result in almost all leases being recognised on the consolidated balance sheet by lessees, 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 Group expects to adopt the standard using the modified retrospective approach where the cumulative effects of initially applying HKFRS 16 is recognised as an adjustment to the opening balance of retained profits and comparative figures are not restated.

As at 31 December 2018, the Group has non-cancellable operating lease commitment of approximately HK$740 million. Upon adoption of HKFRS 16, operating lease commitments will be recognised in the consolidated balance sheets as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost. The right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and will be amortised on a straight-line basis during the lease term.

Lease expenses in the consolidated income statement are replaced by depreciation and interest expenses. Adoption of the new standard will have effects to the financial performance of the Group, while, when comparing to the HKAS 17, higher expenses will be incurred in the early years of the lease terms, diminishing over the lease terms and will result in lower expenses in the later part of the lease terms.

The accounting for lessors will not significantly change and hence the Group does not expect any significant impact on the consolidated financial statements. However, some additional disclosures will be required from next year.

The Group will continue to assess the full impact of the adoption of HKFRS 16 and further update of the impact will be provided in the interim report for the six months ending 30 June 2019.

There are no other standards that are not yet effective and would be expected to have a material impact on the consolidated financial statements of the Group.

3. Changes in accounting policies upon adoption of new HKFRSs

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

(a) HKFRS 9, "Financial Instruments"

HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies. As permitted by the transitional provisions of HKFRS 9, the Group elected not to restate comparative figures. The reclassification adjustments arising from the adoption of HKFRS 9 are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVTPL"). The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the financial assets at FVOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVOCI reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

3 Changes in accounting policies upon adoption of new HKFRSs (continued)

(a) HKFRS 9, "Financial Instruments" (continued)

Classification of financial assets and financial liabilities (continued)

The directors reviewed and assessed the Group's financial assets as at 1 January 2018 and because this equity investment fund is held as long-term strategic investment, the Group elected to designate the investment as FVOCI (non-recycling). Changes in classification on the Group's financial assets and the impacts thereof are illustrated in the table below:

Consolidated balance sheet (extract)	As at 31 December 2017 *HK$'000*	Effects of the adoption of HKFRS 9 *HK$'000*	As at 1 January 2018 *HK$'000*
Non-current assets			
Available-for-sale financial assets	7,028	(7,028)	-
Financial assets at fair value through other comprehensive income	-	7,028	7,028
Equity			
Investment revaluation reserve	2,922	(2,922)	-
Financial assets at fair value through other comprehensive income reserve	-	2,922	2,922

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, cash and cash equivalents and financial assets at amortised cost). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, if any, and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and throughout its life at an amount equal to lifetime ECL.

Prior to the adoption of HKFRS 9, the Group estimated impairment of the unprovided trade receivable on a collective basis by considering the aging profile of trade receivables and historical experience.

3. Changes in accounting policies upon adoption of new HKFRSs (continued)

(a) HKFRS 9, "Financial Instruments" (continued)

Impairment under ECL model (continued)

As at 1 January 2018, the directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The Group has assessed the expected credit loss model applied to the trade and other receivables as at 1 January 2018 and there is no significant impact on the opening balances of net assets and retained profits at 1 January 2018.

The Group is required to revise its impairment methodology for other financial assets at amortised cost. The Group has assessed on a forward looking basis for the expected credit losses associated with the other financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment provision is determined based on the 12-month expected credit losses which is not material to the Group.

(b) HKFRS 15, "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from 1 January 2018 which resulted in changes in accounting policies.

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue" which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts", which specified the accounting for construction contracts.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the new standard will be applied to all contracts at the date of initial application and the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The table below shows the adjustments recognised in the opening balances of each individual financial statement line item. Line items that are not affected by the changes are not included.

Impact on the consolidated balance sheet:

	As at 31 December 2017 *HK$'000*	Effects of the adoption of HKFRS 15 *HK$'000*	As at 1 January 2018 *HK$'000*
Current assets			
Trade and other receivables	2,583,475	227,294	2,810,769
Current liabilities			
Trade and other payables	2,626,842	135,736	2,762,578
Taxation payables	57,824	(915)	56,909
Equity			
Retained earnings	997,128	92,473	1,089,601

3. Changes in accounting policies upon adoption of new HKFRSs (continued)

(b) HKFRS 15, "Revenue from Contracts with Customers" (continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Agency fee income from property agency business in Hong Kong

The Group's entitlement to agency fee income includes an element of consideration that is variable or contingent on the outcome of future events. Actual agency fee income to be received is dependent upon, among others, the completion of transaction between buyers and sellers, price concession based on customary industry practice and payment plans chosen by the buyers.

Prior to the adoption of HKFRS 15, the Group recognised revenue when it was probable that future economic benefits would flow to the Group and the amount could be measured reliably. At each period end, management estimates impairment of the related trade receivables on both an individual and a collective basis by considering the market conditions, customers' profile, the Group's knowledge about the customers, aging profiles of the receivables, historical experience and other relevant factors. Provision for the uncollectible agency fee income was recognised as "impairment of receivables" in previous accounting periods.

Under HKFRS 15, the Group is required to estimate the amount of consideration to which it will be entitled from the provision of property agency services. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable taking into consideration of the risk of fallen through and price concession based on customary industry practice, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Accordingly, the higher revenue recognition threshold for variable consideration under HKFRS 15 has resulted in a decrease in revenue, the impact of which on profit is mitigated by a decrease in impairment provision for the related trade receivables.

This change in accounting policy had no material impact on the retained profits as at 1 January 2018.

(ii) Agency fee income from property agency business in the PRC

The adoption of HKFRS 15 has a significant impact on the timing of revenue recognition from provision of property agency services in the PRC primary market.

In previous accounting periods, the Group recognised revenue from the provision of property agency services in the PRC primary market when the services are rendered and it is probable that future economic benefits would flow to the Group and the amount can be measured reliably. Actual agency fee income to be received is dependent upon, among others, the completion of transaction between buyers and sellers, price concession based on customary industry practice and payment plans chosen by the buyers. Taking into account the market conditions, customers' profiles, the Group's business practice, the legal and regulatory environment of the PRC and other relevant factors, the revenue could generally only be considered being able to measure reliably when uncertainty on contingent events are resolved, which generally coincides the time when cash is received by the Group.

3. Changes in accounting policies upon adoption of new HKFRSs (continued)

(b) HKFRS 15, "Revenue from Contracts with Customers" (continued)

(ii) Agency fee income from property agency business in the PRC (continued)

Under HKFRS 15, the Group is required to estimate the total consideration, including an estimate of variable consideration, received in exchange for the services rendered. The variable consideration is the amount for which it is highly probable that a significant reversal in the cumulative amount of revenue recognised will not occur in future period when the uncertainty associated with the variable consideration is subsequently resolved.

Accordingly, the application of HKFRS 15 will result in an earlier recognition of revenue by an estimation of the minimum amount of variable consideration, whereas previously the Group did not recognise revenue until when uncertainty on all contingent events were resolved. Direct costs associated with these contracts will also be recognised earlier under HKFRS 15 as compared to prior accounting policy adopted by the Group.

As a result of this change in accounting policy, the Group has made adjustments to opening balances at 1 January 2018 which increase retained earnings by HK$92,473,000.

(iii) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if this superseded standard had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15	Hypothetical amounts under HKAS 18	Difference: estimated impact of adoption of HKFRS 15 on 2018
	(A)	(B)	(A)-(B)
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated income statement for the year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Revenues	5,010,221	5,085,814	(75,593)
Staff costs	(2,596,653)	(2,629,353)	32,700
Rebate incentives	(1,235,698)	(1,216,566)	(19,132)
Net impairment loss on financial assets	(47,706)	(76,604)	28,898
Operating profit	**50,557**	**83,684**	**(33,127)**
Profit before taxation	**78,536**	**111,663**	**(33,127)**
Taxation	(20,402)	(20,070)	(332)
Profit for the year attributable to equity holders	**58,134**	**91,593**	**(33,459)**
Earnings per share	HK cents	HK cents	HK cents
Basic	8.10	12.76	(4.66)
Diluted	7.95	12.61	(4.66)

3. Changes in accounting policies upon adoption of new HKFRSs (continued)

(b) HKFRS 15, "Revenue from Contracts with Customers" (continued)

(iii) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018 (continued)

	Amounts reported in accordance with HKFRS 15 (A) *HK$'000*	Hypothetical amounts under HKAS 18 (B) *HK$'000*	Difference: estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) *HK$'000*
Line items in the consolidated statement of comprehensive income for the year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Profit for the year attributable to equity holders	**58,134**	**91,593**	**(33,459)**
Total comprehensive income for the year attributable to the equity holders, net of tax	**60,725**	**98,504**	**(37,779)**
Line items in the consolidated balance sheet as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Trade and other receivables	2,907,556	2,741,267	166,289
Total assets	**4,593,896**	**4,427,607**	**166,289**
Trade and other payables	2,874,810	2,762,632	112,178
Taxation payable	3,508	4,091	(583)
Total liabilities	**3,137,798**	**3,026,203**	**111,595**
Reserves	1,160,788	1,106,094	54,694
Total equity	**1,456,098**	**1,401,404**	**54,694**
Line items in the reconciliation of operating profit to net cash generated from operations for the year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Operating profit	50,557	83,684	(33,127)
Net impairment loss on financial assets	47,706	76,604	(28,898)
Changes in trade and other receivables	(154,356)	(232,936)	78,580
Changes in trade and other payables	133,834	150,389	(16,555)

The significant differences arise as a result of the changes in accounting policies are described above.

4 Revenues and segment information

(a) Revenues

	2018	2017
	HK$'000	*HK$'000*
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
- Agency fee	**4,984,090**	5,277,605
- Immigration consultancy services	**17,464**	7,440
- Web advertising	**1,489**	1,581
- Other services	**3,437**	4,134
	5,006,480	5,290,760
Revenues from other sources		
- Rental income	**2,843**	3,355
- Interest income from loan receivables	**898**	-
	5,010,221	5,294,115

(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, money lending services and mortgage referral services.

4 Revenues and segment information (continued)

(b) Segment information (continued)

	Year ended 31 December 2018			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total revenues	**4,897,474**	**86,616**	**33,763**	**5,017,853**
Inter-segment revenues	**-**	**-**	**(7,632)**	**(7,632)**
Revenues from external customers	**4,897,474**	**86,616**	**26,131**	**5,010,221**
Timing of revenue recognition				
- At a point in time	**4,897,474**	**86,616**	**3,437**	**4,987,527**
- Over time	**-**	**-**	**18,953**	**18,953**
Rental income	**-**	**-**	**2,843**	**2,843**
Interest income from loan receivables	**-**	**-**	**898**	**898**
	4,897,474	**86,616**	**26,131**	**5,010,221**
Segment results	**80,741**	**15,922**	**46,843**	**143,506**
Net impairment loss on financial assets	**(46,659)**	**(1,047)**	**-**	**(47,706)**
Depreciation and amortisation costs	**(52,760)**	**(1,418)**	**(703)**	**(54,881)**
Share of results of joint ventures	**-**	**-**	**27,849**	**27,849**
Share of results of associates	**-**	**16,295**	**-**	**16,295**
Fair value gain on investment properties	**-**	**-**	**2,465**	**2,465**
Additions to property and equipment	**53,043**	**710**	**54**	**53,807**

4 Revenues and segment information (continued)

(b) Segment information (continued)

	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
Timing of revenue recognition				
- At a point in time	5,167,977	109,628	4,134	5,281,739
- Over time	-	-	9,021	9,021
Rental income	-	-	3,355	3,355
	5,167,977	109,628	16,510	5,294,115
Segment results	232,652	27,593	43,971	304,216
Net impairment loss on financial assets	(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 gain on investment properties	-	-	4,839	4,839
Additions to property and equipment	51,919	1,002	46	52,967

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 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.

4 Revenues and segment information (continued)

(b) Segment information (continued)

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

	2018	2017
	HK$'000	*HK$'000*
Segment results for reportable segments	**143,506**	304,216
Corporate expenses	**(48,805)**	(54,038)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**-**	1,575
Gain on dilution of equity interests in associates	**-**	3,264
Finance income	**546**	813
Finance costs	**(16,711)**	(20,762)
Profit before taxation per consolidated income statement	**78,536**	235,068

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, available-for-sale financial assets and financial assets at fair value through other comprehensive income, all of which are managed on a central basis. The following sets out the assets and liabilities by reporting segments:

	As at 31 December 2018			
	Property agency			
	Residential properties	**Commercial and industrial properties and shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**3,500,952**	**415,366**	**206,475**	**4,122,793**
Segment assets include:				
Interests in joint ventures	**-**	**-**	**45,637**	**45,637**
Interests in associates	**-**	**376,650**	**-**	**376,650**
Segment liabilities	**2,802,266**	**49,326**	**20,826**	**2,872,418**

4 Revenues and segment information (continued)

(b) Segment information (continued)

	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

Reportable segment assets are reconciled to total assets as follows:

	2018	2017
	HK$'000	*HK$'000*
Segment assets	**4,122,793**	3,851,221
Corporate assets	**448,375**	532,510
Deferred tax assets	**17,093**	19,432
Available-for-sale financial assets	**-**	7,028
Financial assets at fair value through other comprehensive income	**5,635**	-
Total assets per consolidated balance sheet	**4,593,896**	4,410,191

Reportable segment liabilities are reconciled to total liabilities as follows:

	2018	2017
	HK$'000	*HK$'000*
Segment liabilities	**2,872,418**	2,666,963
Corporate liabilities	**261,400**	377,603
Deferred tax liabilities	**3,980**	3,846
Total liabilities per consolidated balance sheet	**3,137,798**	3,048,412

4 Revenues and segment information (continued)

(b) Segment information (continued)

Geographical information:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong and Macau	**4,160,330**	4,388,582
PRC	**849,891**	905,533
Revenues from external customers	**5,010,221**	5,294,115

Revenues are attributed to locations where the transactions took place.

5 Other income and gains

	2018	2017
	HK$'000	*HK$'000*
Fair value gains on investment properties	**2,465**	4,839
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	**-**	1,575
Gain on dilution of equity interests in associates (Note)	**-**	3,264
Others	**3,417**	3,758
	5,882	13,436

Note:

During the year ended 31 December 2017, 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.

6 Operating profit

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

	2018	2017
	HK$'000	*HK$'000*
Loss on disposal of property and equipment	**768**	855
Direct operating expenses arising from investment properties that:		
- generated rental income	**307**	233
- did not generate rental income	**119**	50
Auditor's remuneration		
- audit services	**3,259**	3,068
- interim results review	**573**	573
- other non-audit services	**650**	660
Net foreign exchange losses/(gains)	**2,682**	(8,490)

7 Taxation

	2018	2017
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**17,132**	39,014
Overseas	**797**	951
Deferred taxation	**2,473**	1,651
	20,402	41,616

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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

	2018	2017
	HK$'000	*HK$'000*
Interim dividend of HK$0.032 (2017: nil) per share	**22,977**	-
Proposed final dividend of nil (2017: HK$0.05) per share	**-**	35,902
	22,977	35,902

The Board does not recommend the payment of final dividend for the year ended 31 December 2018.

At a board meeting held on 29 August 2018, the Board declared an interim dividend of HK$0.032 per share.

9 Earnings per share

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

	2018	2017
	HK$'000	*HK$'000*
Profit attributable to equity holders for the calculation of basic earnings per share	**58,134**	193,452
Adjustment on the effect of dilutive events of associates	**(1,038)**	(3,518)
Profit attributable to equity holders for the calculation of diluted earnings per share	**57,096**	189,934
Number of shares for calculation of basic and diluted earnings per share (thousands)	**718,046**	718,046
Basic earnings per share (HK cents)	**8.10**	26.94
Diluted earnings per share (HK cents)	**7.95**	26.45

9 Earnings per share (continued)

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 associates. Adjustments have been made to profit attributable to equity holders to reflect the dilutive impact in respect of the exercise of share options and the 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:

	2018	*2017*
	HK$'000	*HK$'000*
Not yet due	**2,481,663**	2,147,197
Less than 30 days	**38,453**	40,058
31 to 60 days	**14,331**	14,355
61 to 90 days	**4,029**	10,833
Over 90 days	**9,031**	29,095
	2,547,507	2,241,538

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$373,718,000 (2017: HK$355,727,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after year end. All the remaining commissions and rebate payables are not yet due.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that for the year ended 31 December 2018, it recorded a revenue of approximately HK$5,010 million, representing a drop of 5.4% compared with that for the year of 2017. The consolidated net profit attributable to equity holders dropped by 69.9% from approximately HK$193 million to approximately HK$58 million.

During the reporting period, the Group's results were adversely affected by unfavorable factors. On one hand, transaction volume in the Hong Kong residential market dropped as a result of the outburst of China-US trade war and sluggish global economy; on the other hand, the keen competition in the local market drove up rental and other costs. These two factors led to a challenging operating environment for the Group.

Overall Operating Environment Turned Unfavorable

The overall economy was robust in the first half of 2018. Interest rate remained at a low level, resulting in a positive sentiment in the property market. As the developers slowed down the pace of launching new projects during the first half of the year, the secondary market outperformed. However, as the global economic and political landscape became uncertain, particularly with the concerns arising from the China-US trade war and interest rate hikes, coupled with the slowdown of China's economy, market sentiment was dampened in the second half of the year. According to the Census and Statistics Department, Hong Kong's GDP growth in the fourth quarter of 2018 was 1.3%, a fall of more than half as compared with that of 2.8% in the third quarter, indicating a downtrend in the economy. Consequently, the transaction activity in the Hong Kong residential market was dragged down in the second half of 2018, with transaction value and volume falling by 26.1% and 31.1%, respectively, when compared with that in the first half of 2018.

Dismal Performance of the Property Market in the Second Half of 2018

Property prices in the first half of 2018 were on an upward trend. Average price per sq. ft. for residential properties rose by 8.7% from HK$12,425 at the beginning of the year to HK$13,501[**] by mid-year. To cool the overheating property prices, the Hong Kong government introduced a tax on vacant properties for new projects in the second half of the year. Although some developers sped up new project launches, the total sales of the year declined by 16.2% to 15,633 units as compared with that of 2017, a new low since 2013. Furthermore, the performance of the secondary market in the second half of 2018 was far from satisfactory, not only did the residential property price drop 8.7% from July to December 2018, but the transaction volume also plunged by 41.3% as compared with that in the first half of the year.

Maintain Competitive Advantage through Cost-efficiency Improvements

Amidst the market downturn and the increasingly tough local business environment, the Group has been actively pursuing overall cost-efficiency improvements in order to maintain its competitiveness. Apart from enhancing the advertising efficiency through digital marketing, the Group has also constantly reviewed the sales performance of frontline staff, as well as rebate incentives. Furthermore, the Group has achieved satisfactory results in strengthening its branch network, which will facilitate optimization of resources allocation and improve operation efficiency in the long run.

The primary home market lost momentum during the reporting period, which undoubtedly posed an adverse impact on the Group's results. Nevertheless, the strong sales of "Grand Central" in Kwun Tong might become a catalyst for developers to review their pricing strategies and may induce a rebound in the sales volume of new homes in 2019. The dynamics between the primary and secondary markets are expected to shift as a consequence and the Group will continue to closely monitor the market conditions and take corresponding measures.

As expected, the high-end property market outperformed during the reporting period. The Group will continue to strengthen and develop its high-end properties division.

[**] Source of information: Midland Property Price Chart

OUTLOOK

Global Uncertainties Bring Cautious Outlook to the Property Market

The downward pressure on the global economy is expected to continue in 2019. During China's two sessions, the central government set the target of GDP growth at between 6% to 6.5% this year, a new low in nearly 30 years. At the same time, the European Central Bank revealed that the economic development in the Eurozone has been lower than expected, and a new round of stimulus measures would be necessary to drive economic growth. In view of these challenges, the Group expects that the performance of the Hong Kong property market would still be affected by unfavorable factors in the short term. While China and the US might be able to reach certain agreements on tariffs, trade disputes between the two countries may remain in a stalemate. The repercussions of Brexit and the emergence of trade protectionism in recent years have added uncertainties to the international trade and macroeconomic outlook.

Furthermore, the impact of the trade war drove down China's GDP growth rate to 6.6% in 2018, the lowest in 28 years. Hong Kong has been going through a period of economic slowdown, and the local GDP growth fell from 3.8% in 2017 to 3.0% in 2018. The economic downturn in China and Hong Kong coupled with the drop in the long-term supply of private residential properties as a result of the Hong Kong government's plan to raise the ratio between public and private housing from 60:40 to 70:30, will pose challenges to the Group's operation. In addition, Hong Kong's home prices are the most expensive in the world, buying property for investment or self-used is not an easy task.

New Impetus from the Greater Bay Area Development

Despite the China-US trade conflict bringing uncertainties to countries across the globe, it has highlighted the advantage of Hong Kong as a free economy. Besides, the completions of various large-scale infrastructure projects such as the high speed rail and the Hong Kong-Zhuhai-Macao Bridge have pushed the number of mainland visitors to a record high. According to the Hong Kong Tourism Board, the number of visitors in 2018 to Hong Kong was 65.15 million, representing an 11.4% year-on-year increase. Among which, 51.04 million visitors were from mainland China, marking a 14.8% rise year-on-year. Although the spending power of mainland visitors has weakened, it is believe that the rise in the number of their arrivals will bring positive impact on the retail market and economic environment in Hong Kong.

The announcement of the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* has introduced a new phase to the core development of the Greater Bay Area. The Chinese government is committed to transforming the Greater Bay Area into a globally leading center for innovation, and promoting the interconnection of the infrastructures between cities in the region. It is also making efforts in enhancing Hong Kong's position as an international financial, shipping, and trading center, as well as an offshore Renminbi business hub, which will bring long-term benefits to Hong Kong. As the concern for interest rate hikes eases off, local users' property demands will gradually resume. In addition, due to the increasing political and economic risks in overseas markets, demand from mainland residents for Hong Kong properties is expected to rise. The Group might be cautious about the prospects of the Hong Kong property market in 2019, but remains hopeful in the long term.

Enhance Customer Service and Experience

As market conditions undergo rapid changes, the Group will progress with time and keep deploying more resources in innovations and technologies. In the second half of 2018, the Group launched the internal mobile application "M1", which is an important milestone of the Group's efforts in promoting interactive mobile working platform. Meanwhile, the Group continues to develop and enhance its customer-centric and holistic sales platform and has made good progress. For instance, the online live chat service has broadened its coverage to reach China, as well as to facilitate transactions of non-residential properties.

The Group's credit business commenced operation during the second half of 2018. It will support the Group in building a complete business ecosystem and holistic sales platform that encompasses property searches, agency, and financial services.

Actively Formulate a Greater Bay Area Strategy

The promulgation of the *Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* and the completions of large scale infrastructure projects such as the Hong Kong High Speed Rail and the Hong Kong-Zhuhai-Macao Bridge will facilitate the mutually beneficial cooperation between China, Hong Kong, and Macau. To align with the new economic development of the Greater Bay Area, the Group has set up a strategic unit to capture the market opportunities. The strategic unit will actively formulate business development plans in response to the market needs and to seize the opportunities in the Greater Bay Area.

Through active pursuit of the cost-efficiency measures and effective business development strategies, the Group will keep striving for improvement, with a view to deepening the market in Hong Kong and the Greater Bay Area. Despite the challenging market landscape in 2019, the Group will monitor the risk exposures, devise new business initiatives, and capture existing business opportunities.

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 2018, the Group had cash and bank balances of HK$942,290,000 (2017: HK$1,158,645,000).

As at 31 December 2018, the interest-bearing bank borrowings of the Group amounted to HK$255,500,000 (2017: HK$359,900,000) and with maturity profile set out as follows:

	2018	2017
	HK$'000	*HK$'000*
Repayable within 1 year	**255,500**	359,900

As at 31 December 2018, the gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 17.5% (2017: 26.4%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.2 (2017: 1.2). The return on equity, which is the ratio of profit for the year over total equity of the Group, was 3.99% (2017: 14.21%).

As at 31 December 2018, the Group has unutilised borrowing facilities amounting to approximately HK$2,436,318,000 (2017: HK$1,975,100,000) 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 2018, certain land and buildings and investment properties held by the Group of HK$59,572,000 (2017: HK$60,679,000) and HK$74,796,000 (2017: HK$57,350,000) 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$2,326,024,000 (2017: HK$2,186,067,000).

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 at this stage but will closely monitor its fluctuations.

Contingent liabilities

As at 31 December 2018, the Company executed corporate guarantee of HK$2,753,818,000 (2017: HK$2,397,000,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2018, HK$296,977,000 of these facilities were utilised by the subsidiaries (2017: HK$387,006,000).

EMPLOYEE INFORMATION

As at 31 December 2018, the Group employed 6,563 full time employees (2017: 7,452) of which 5,428 were sales agents, 573 were back office supportive employees and 562 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.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: HK$0.05 per ordinary share).

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 2018.

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 2018.

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 2018.

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 2018. The figures in respect of this announcement of the Group's results for the year ended 31 December 2018 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 2018 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 2018 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 sincere gratitude to our board members and staff for their dedication to the Group, and to take this opportunity to thank every shareholder and customer for their enduring support to the Group. We will continue to make our best efforts to offer quality services, so as to lead the Group towards a better future.

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

Hong Kong, 28 March 2019

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.