

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2014**

The board of directors (the "Board") of Midland Holdings Limited (the "Company") is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 together with the comparative figures as follows:

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenues	3(a)	4,118,267	3,343,972
Other income	4	6,530	17,198
Staff costs		(2,192,571)	(1,876,427)
Rebate incentives		(736,558)	(481,580)
Advertising and promotion expenses		(78,864)	(100,508)
Operating lease charges in respect of office and shop premises		(575,644)	(615,200)
Impairment of receivables		(69,047)	(126,075)
Depreciation and amortisation costs		(53,663)	(58,057)
Other operating costs		(299,087)	(312,921)
Operating profit/(loss)	5	119,363	(209,598)
Finance income	6	3,196	6,187
Finance costs	6	(19,791)	(4,043)
Share of results of joint ventures		11,547	7,492
Profit/(loss) before taxation		114,315	(199,962)
Taxation	7	(39,557)	1,848
Profit/(loss) for the year		74,758	(198,114)

* For identification purpose only

CONSOLIDATED INCOME STATEMENT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 HK\$'000	2013 <i>HK\$'000</i>
Profit/(loss) attributable to:			
Equity holders		63,975	(204,037)
Non-controlling interests		10,783	5,923
		<u>74,758</u>	<u>(198,114)</u>
Earnings/(loss) per share	9	HK cents	HK cents
Basic		8.91	(28.42)
Diluted		8.91	(28.42)
		<u>8.91</u>	<u>(28.42)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit/(loss) for the year	74,758	(198,114)
Other comprehensive income		
<i>Item that is reclassified to profit or loss</i>		
Release of currency translation differences arising from disposal of subsidiaries	-	11
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	1,090	(1,455)
Change in fair value of available-for-sale financial assets	2,265	448
	3,355	(996)
Total comprehensive income/(loss) for the year, net of tax	78,113	(199,110)
Total comprehensive income/(loss) for the year attributable to:		
Equity holders	67,330	(205,041)
Non-controlling interests	10,783	5,931
	78,113	(199,110)

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014**

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property and equipment		153,741	189,606
Investment properties		87,910	86,049
Land use rights		1,333	1,407
Interests in joint ventures		63,358	56,431
Available-for-sale financial assets		12,566	15,071
Deferred taxation assets		21,652	35,920
		340,560	384,484
Current assets			
Trade and other receivables	<i>10</i>	1,990,038	1,450,795
Taxation recoverable		1,337	3,627
Cash and bank balances		1,764,485	1,434,300
		3,755,860	2,888,722
Total assets		4,096,420	3,273,206

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31 DECEMBER 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity holders			
Share capital		71,805	71,805
Share premium		223,505	223,505
Reserves		1,110,799	1,042,590
		<hr/>	<hr/>
		1,406,109	1,337,900
Non-controlling interests		200,431	189,648
		<hr/>	<hr/>
Total equity		1,606,540	1,527,548
		<hr/>	<hr/>
Non-current liabilities			
Deferred taxation liabilities		2,857	2,832
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	11	2,041,096	1,311,153
Borrowings		426,118	424,011
Taxation payable		19,809	7,662
		<hr/>	<hr/>
		2,487,023	1,742,826
		<hr/>	<hr/>
Total liabilities		2,489,880	1,745,658
		<hr/>	<hr/>
Total equity and liabilities		4,096,420	3,273,206
		<hr/>	<hr/>
Net current assets		1,268,837	1,145,896
		<hr/>	<hr/>
Total assets less current liabilities		1,609,397	1,530,380
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Company is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group are provision of property agency services in Hong Kong, the People’s Republic of China (the “PRC”) and Macau.

2 Basis of preparation

- (a) The consolidated financial statements of the Company have been prepared in accordance with 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.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

(b) Amendments effective in 2014

HKAS 32 (Amendment)	Financial instrument : Presentation - Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets : Recoverable Amount Disclosures for Non-Financial Assets

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

2 Basis of preparation (Continued)

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

The following new standards and amendments to standards have been issued but are not effective for 2014 and have not been early adopted by the Group.

Effective for the year ending 31 December 2015

Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

Effective for the year ending 31 December 2016

HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

Effective for the year ending 31 December 2017

HKFRS 15	Revenue from Contracts with Customers
----------	---------------------------------------

Effective for the year ending 31 December 2018

HKFRS 9	Financial Instruments
---------	-----------------------

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

3 Revenues and segment information

(a) Revenues

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover		
Agency fee	4,078,198	3,297,104
Immigration consultancy services	33,820	27,713
Rental from investment properties	2,874	3,312
Web advertising	1,525	1,916
Internet education and related services	-	11,479
Other services	1,850	2,448
	<u>4,118,267</u>	<u>3,343,972</u>

3 Revenues and segment information (Continued)

(b) Segment information

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

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

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

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	<u>Year ended 31 December 2013</u>			
	<u>Property agency</u>			
	Residential properties <i>HK\$'000</i>	Commercial and industrial properties and shops <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total revenues	2,762,773	636,981	54,800	3,454,554
Inter-segment revenues	(63,463)	(39,187)	(7,932)	(110,582)
	<u>2,699,310</u>	<u>597,794</u>	<u>46,868</u>	<u>3,343,972</u>
Revenues from external customers	2,699,310	597,794	46,868	3,343,972
	<u>2,699,310</u>	<u>597,794</u>	<u>46,868</u>	<u>3,343,972</u>
Segment results	(196,897)	13,796	20,991	(162,110)
	<u>(196,897)</u>	<u>13,796</u>	<u>20,991</u>	<u>(162,110)</u>
Impairment of receivables	80,508	45,567	-	126,075
Depreciation and amortisation costs	46,832	8,830	1,198	56,860
Share of results of joint ventures	-	-	7,492	7,492
Fair value gain on investment properties	-	-	5,636	5,636
Additions to non-current assets	62,279	10,909	368	73,556
	<u>62,279</u>	<u>10,909</u>	<u>368</u>	<u>73,556</u>

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, fair value loss on financial assets at fair value through profit or loss, realised (loss)/gain on available-for-sale financial assets, finance income, finance costs and taxation are not included in the segment results.

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

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Segment results for reportable segments	164,733	(162,110)
Corporate expenses	(33,231)	(43,505)
Fair value loss on financial assets at fair value through profit or loss	-	(12)
Realised (loss)/gain on available-for-sale financial assets	(592)	3,521
Finance income	3,196	6,187
Finance costs	(19,791)	(4,043)
	<hr/>	<hr/>
Profit/(loss) before taxation per consolidated income statement	114,315	(199,962)
	<hr/> <hr/>	<hr/> <hr/>

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:

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

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	<u>As at 31 December 2013</u>			Total <i>HK\$'000</i>
	<u>Property agency</u>	<u>Commercial and industrial properties and shops</u>	<u>Others</u>	
	<i>Residential properties HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Segment assets	1,585,208	790,347	196,689	2,572,244
Segment assets include: Interests in joint ventures	-	-	56,431	56,431
Segment liabilities	1,051,577	189,138	28,453	1,269,168

Reportable segment assets are reconciled to total assets as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Segment assets	3,611,823	2,572,244
Corporate assets	450,379	649,971
Deferred taxation assets	21,652	35,920
Available-for-sale financial assets	12,566	15,071
Total assets per consolidated balance sheet	4,096,420	3,273,206

Reportable segment liabilities are reconciled to total liabilities as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Segment liabilities	2,039,056	1,269,168
Corporate liabilities	447,967	473,658
Deferred taxation liabilities	2,857	2,832
Total liabilities per consolidated balance sheet	2,489,880	1,745,658

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

Geographical information:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong and Macau	3,476,196	2,676,326
PRC	642,071	667,646
Revenues from external customers	<u>4,118,267</u>	<u>3,343,972</u>

Revenues are attributed to locations where the transactions took place.

4 Other income

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Fair value gain on investment properties	2,615	5,636
Gain on disposal of investment properties	-	2,254
Gain on disposal of subsidiaries	-	2,205
Realised (loss)/gain on available-for-sale financial assets	(592)	3,521
Others	4,507	3,582
	<u>6,530</u>	<u>17,198</u>

5 Operating profit/(loss)

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss on disposal of property and equipment	3,488	5,043
Direct operating expenses arising from investment properties that:		
- generated rental income	471	294
- did not generate rental income	34	159
Fair value loss on financial assets at fair value through profit or loss	-	12
Auditor's remuneration		
- audit services	3,682	3,466
- non-audit services	916	1,208
	<u>6,530</u>	<u>17,198</u>

6 Finance income and costs

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Finance income		
Bank interest income	3,196	6,187
	-----	-----
Finance costs		
Interest on bank loans, overdrafts and other loans		
Wholly repayable within five years	(19,612)	(3,847)
Not wholly repayable within five years (<i>Note</i>)	(179)	(196)
	-----	-----
	(19,791)	(4,043)
	=====	=====
Finance (cost)/income, net	(16,595)	2,144
	=====	=====

Note: The classification by repayment period is based on the scheduled repayment dates set out in the loan agreements and ignores the effect of any repayment on demand clause.

7 Taxation

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current		
Hong Kong profits tax	22,524	11,544
Overseas	2,740	678
Deferred	14,293	(14,070)
	-----	-----
	39,557	(1,848)
	=====	=====

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

9 Earnings/(loss) per share

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit/(loss) attributable to equity holders	63,975	(204,037)
Number of shares for calculation of basic earnings per share (thousands)	718,046	718,046
Effect on conversion of share options (thousands)	49	-
Number of shares for calculation of diluted earnings per share (thousands)	718,095	718,046
Basic earnings/(loss) per share (HK cents)	8.91	(28.42)
Diluted earnings/(loss) per share (HK cents)	8.91	(28.42)

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

In calculating the diluted earnings/(loss) per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted loss per share for the year ended 31 December 2013 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

10 Trade and other receivables

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

	2014 HK\$'000	2013 <i>HK\$'000</i>
Not yet due	1,646,247	1,053,958
Less than 30 days	19,386	34,703
31 to 60 days	12,617	36,841
61 to 90 days	4,547	9,736
Over 90 days	9,054	33,700
	<hr/> 1,691,851 <hr/>	<hr/> 1,168,938 <hr/>

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

11 Trade and other payables

Commissions payable include mainly the commissions payable to property consultants, co-operative estate agents and clients, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$194,025,000 (2013: HK\$110,125,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2014, the Group managed to turn around and recorded a profit attributable to equity holders of HK\$63,975,000, while revenue of the Group increased by 23% to HK\$4,118,267,000 (as compared to 2013), a new-high since listed in 1995. The Group reported a loss attributable to equity holders of HK\$204,037,000 for 2013. The turnaround of the Group's results in 2014 was mainly attributable to:

1. Midland Realty, one of its key operations, has been strengthening its market position in Hong Kong;
2. the primary residential sales transactions in Hong Kong posted an appreciable increase in 2014; and
3. improvement in operating efficiency through adopting a series of strategic initiatives, including constantly optimising the management structure and operational processes which resulted in better resources management and costs control refinement on certain operating costs items of the Group.

Outperformed the local property market

In 2014, according to the figures from Land Registry, the value and volume of property sales registrations in Hong Kong recorded a year-on-year increase of 20% and 16% respectively, and the Group recorded a revenue growth of 23%. The financial performance shows that the Group outperformed the local property market last year. Last year, staff at all levels put in extra effort to implement the three-year plan, helping the Group gain ground in the competition. And as the Chairman of the Group, I led the two Managing Directors, Ms. WONG Ching Yi, Angela and Mr. WONG Tsz Wa, Pierre, and the other Executive Directors in sharpening the competitive edges of the Group. I am thankful to the staff who have provided their support to the Group. The implementation of various business initiatives has continued to pay off. For instance, the Group allocated a significant portion of resources in strengthening its presence in the local new home sector. Hence the Group was in a good position to benefit from a robust primary market. Last year, total transaction value of the new residential properties deals hit a historical high of approximately HK\$17.6 billion. Meanwhile, the Group's local sales force was expanded further. After being promoted at the beginning of last year, the veteran sales management executives have significantly enhanced the morale and level of synergy of the sales team in the year. Encouragingly, Midland Realty performed well at the new projects sales.

Market recovery was not comprehensive

Despite the increase in property market activity, the business environment was still very challenging. Undeniably, overall market transaction volume increased by 16% in 2014. However, the growth was mainly due to the low comparative base in 2013. As a matter of fact, the number of property deals last year was still nearly 30% less than that in 2012. Weighted by the tough mortgage requirements and hefty stamp duty, luxury home sector did not perform well in 2014. Activity in the secondary residential market was also far from normal. For the non-residential property sector, transaction volume and value even shrank by 11% and 28% respectively. Outshining the other segments, new home sector was supported by solid end-user demand for small-to-medium units. In my view, the local property market recovery in 2014 was not comprehensive.

Mainland operation

Property market was weak in Mainland China, which unfavourably affected the Group's Mainland operations. As the central government reshaped the economy, excessive investment was dampened and short term property market performance was compromised. The Group's Mainland operations responded to the slowdown through reallocation of resources. On the one hand, our Mainland operations strengthened its presence in Zhuhai, a Mainland city adjacent to Macau. On the other hand, it reduced its branch network in other cities. In the later part of the year, various central government policies including interest rate cut and relaxation of home restrictions have helped stabilize the property market. However, in 2014, the overall property market conditions remained tough in Mainland China.

OUTLOOK

Hong Kong economy is expected to grow, albeit at a slower rate. Local economic fundamentals are sound. Unemployment rate is hovering at around historical low and Hong Kong people have amassed a huge amount of wealth in the past few years. However, tourism industry, one of the drivers of the city's economy, is showing signs of weakness. After recording a ten-year consecutive increase, retail sales dropped in 2014. In addition, GDP growth target of Mainland China has revised from 7.5% in 2014 to 7% in 2015. Moreover, the economic problems in Europe are expected to linger. Also, the changing expectations on possible rate hikes in the US will keep on causing fluctuations on the macro-economic environments. Nonetheless, the loose monetary policies adopted by China, Japan and Euro-zone can help stabilize the global economy. And the Hong Kong economy will likely to perform well if interest rates stay at a comfortable level.

The central government is reshaping the economy and it may bring short term minor correction. However, in medium to long term, the Group is confident that the future economic growth in China will be more stable and sustainable. Hong Kong will continue to benefit from Mainland economic development as the central government maintains its supportive stance towards Hong Kong. Indeed, the central government keeps launching policies favorable to Hong Kong. For instance, the proposed Shenzhen-Hong Kong Stock Connect, together with the Shanghai-Hong Kong Stock Connect launched in the fourth quarter of last year will further strengthen the role of Hong Kong as an international financial center.

Strong new home sector

Housing policies have been one of the most significant factors affecting the property market in Hong Kong. In 2013, property transaction volume fell to 23-year low as a result of the property market cooling measures launched at the beginning of that year. And since May of last year, the new home sales activity has heated up after the government made adjustments to the doubled stamp duty measures. Home prices have also performed strongly. Last year, home prices for small-to-medium residential units rose 12%. According to the figures from Rating and Valuation Department, the smaller the size of the unit, the higher was the property price growth last year.

To curb the rise of property prices, Hong Kong Monetary Authority, further tightened the mortgage requirements recently. The general market consensus is that there will be only short term impacts on the small-to-medium end of the secondary residential sector. New home sector is not expected to be affected by these measures as developers can always best position themselves by providing innovative incentive schemes to attract customers.

Volume of new home sales is predicted to grow this year. As the new home supply is set to rise, pricing for new properties will be normalized. Moreover, most developers are mainly building small-to-medium sized residential units which better match the demand of the end-users. Individual homeowners' unwillingness to sell out their properties also helps new home sales.

STRATEGIC REVIEW AND PLANNING

Expanded sales force

The competitive environment remained fierce last year. As the local property market sentiment improved, small estate agency companies showed resilience and the number of “statement of particulars of business” (SPoB) which represents the number of branches of estate agents within the industry registered a year-on-year growth of 0.6% last year. However, the number of licensed agents dropped slightly last year, suggesting that hiring good performing agents was not easy. The Group continued to expand our sales force with our brand value. By reengineering our sales force management and refining our value added service within the Group, we are able to attract talents.

As the Group raised the sales productivity, the number of branch outlets in Hong Kong was slightly reduced during the year under review. Hence, rental expenditures dropped.

The survival of the fittest

During boom time, good companies can earn in spades. However, during gloom time, market opportunities are captured only by the large players. The growth of the number of participants in the market has been tapering off. However, there are still some small agency companies joining the industry throughout the years. Our household brand name, the trust gained from customers, vast client base and listings, and the after sales services have shaped the Group’s success today. Serving our customers day by day for 42 years, the Group is confident to stand out from the competition.

Seek for improvements

Midland Realty has firmly planted its root in Hong Kong for 42 years. The Group could successfully become a market leader because, among other reasons, it never sits on its laurels. At the beginning of this year, Ms. WONG Ching Yi, Angela, Deputy Chairman and Managing Director of the Company, has cultivated a working attitude of “Winning is in details”, hoping that all our staff can always strive for excellence. Without any hesitation, the Group will continue to push forward the three-year plan formulated by Ms. WONG Ching Yi, Angela at the end of 2013.

The three-year plan is progressing with initial achievements which include:

1. Flexible and short-term incentive schemes for new project sales

Our senior management devises plans to incentivize our staff in a way to timely align the focus of the sales force with the changes and needs of the market.

2. The establishment of the sales operation improvement team

This team already kick-started an in-store management program which is aimed at enhancing the efficiency of the individual agents. Meanwhile, it also explored possible area of improvements in operation efficiency at deal making level.

3. IT development

“Making a Deal”, a new mobile app for internal use was developed successfully. This new app has facilitated information flow among staff, promoted faster communications and better organized information in one hub. Enhancing corporate website with new features, among other things, can improve users’ experience and sharpen the Group’s edge over small-to-medium sized agency companies.

4. Staff motivation and retention

Elite club, a prestige privileges program for the finest sales executives, has been reinvigorated and, hence morale of the outstanding staff has been boosted. Meanwhile, Loyal Staff clubs including “Friends of Midland” etc. are established exclusively for long service staff, honoring their loyalty to the Group.

5. Internal communications

The debut of “Our Generation”, an internal publication, has brought internal communications among the Group’s staff to the next level. This new publication not only enables the staff to learn more about the Group’s latest direction, but also provides a platform to recognize our staff contributions.

6. CRM development

The Group has already started working on a complete overhaul of our CRM system. The purpose of this exercise is to help our middle sales management staff to leverage on the client’s data base efficiently.

There are other initiatives in progress and I am confident that they will bear good fruits in foreseeable future. For instance, our marketing department is planning to conduct after sales service interview. This exercise has a clear goal of enhancing customers’ satisfaction. Besides, the brand is further reinforced and Ms. WONG Ching Yi, Angela, Deputy Chairman and Managing Director, has been positioned as the representative of the industry. Another initiative in progress is the launch of the Midland Privileges Program which provides premium service to the institutional customers.

I am confident that Ms. WONG Ching Yi, Angela and Mr. WONG Tsz Wa, Pierre, the two Managing Directors, and the other management of the Group will continue to work closely to implement those initiatives.

FINANCIAL REVIEW

Liquidity and financial resources

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

As at 31 December 2014, the Group had cash and bank balances of HK\$1,764,485,000 (2013: HK\$1,434,300,000).

As at 31 December 2014, the interest-bearing bank and other borrowings of the Group amounted to HK\$426,118,000 (2013: HK\$424,011,000) with maturity profile set out as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Repayable		
Within 1 year	417,928	414,894
After 1 year but within 2 years	945	930
After 2 years but within 5 years	2,947	2,895
Over 5 years	4,298	5,292
	426,118	424,011

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

The gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 26.52% (2013: 27.76%). The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.5 (as at 31 December 2013: 1.7)

As at 31 December 2014, the Group had unutilised borrowing facilities amounting to approximately HK\$413,000,000 (2013: HK\$95,795,000) from various banks and an independent third party. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company (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 2014, certain land and buildings and investment properties held by the Group of HK\$90,471,000 (2013: HK\$71,740,000) and HK\$58,310,000 (2013: HK\$1,000,000) were pledged to secure banking facilities granted to the Group. As at 31 December 2014, bank deposit of HK\$3,400,000 (2013: nil) and trade receivable of approximately HK\$307,620,000 (2013: nil) were pledged to secure the banking facilities granted to the Group.

The Group's cash and bank balances are deposited 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 were primarily denominated in Renminbi. Since it is expected that there shall not be sharp depreciation of Renminbi against Hong Kong Dollar in near future, 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 2014, the Company executed corporate guarantee as part of the securities for general banking and other loan facilities of HK\$862,700,000 granted to certain wholly-owned subsidiaries (2013: HK\$542,700,000). At 31 December 2014, HK\$426,179,000 of these facilities were utilised by the subsidiaries (2013: HK\$425,701,000).

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

Employee information

As at 31 December 2014, the Group employed 9,211 full time employees (2013: 9,492) of which 8,076 were sales agents, 523 were back office supportive employees and 612 were frontline supportive employees.

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2014, except for the matter as set out below:

Pursuant to code provisions A.1.1, A.1.3 and A.7.1 of the Code, board meetings should be held at least four times a year at approximately quarterly intervals, notice of at least 14 days should be given of a regular board meeting, and relevant agenda as well as accompanying board papers should be sent, in full, to all directors at least 3 days before the intended date of a regular board meeting. During the year, the Board held at least one Board meeting in each quarter and a total of six Board meetings were held. In respect of the second quarter, two Board meetings were held. However, due to the urgency of certain business which required prompt discussion of the Board, the requirements for service of the required length of notice and other documents under the above code provisions A.1.3 and A.7.1 were not satisfied in respect of a regular Board meeting held in the second quarter.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2014.

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 2014.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the financial statements of the Company for the year ended 31 December 2014. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 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 HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2014 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 2014 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

In 2014, the Board and the management dealt with various forms of challenges. As the founder and Chairman, I have worked closely with my colleagues on the Board to enhance the efficiency of the Group. The challenges have united our Board and staff. I am thankful to the shareholders, customers and staff who have provided their support to the Group. Also, on behalf of the Board, I would like to extend our gratitude to those shareholders who sided with the Board at the Special General Meeting held last August.

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

Hong Kong, 26 March 2015

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