Midland IC&I Limited

美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Revenues	*3(a)*	**637,247**	520,268
Other income	*4*	**11,290**	4,985
Staff costs		**(319,303)**	(247,338)
Rebate incentives		**(131,278)**	(148,755)
Advertising and promotion expenses		**(14,774)**	(14,138)
Operating lease charges in respect of office and shop premises		**(33,681)**	(39,195)
Impairment of receivables		**(10,647)**	(21,386)
Depreciation expenses		**(3,259)**	(4,088)
Other operating costs		**(27,326)**	(28,986)
Operating profit	*5*	**108,269**	21,367
Finance income	*6*	**2,290**	2,129
Finance costs	*6*	**(5,697)**	(150)
Profit before taxation		**104,862**	23,346
Taxation	*7*	**(14,944)**	(5,246)
Profit and total comprehensive income for the year attributable to equity holders		**89,918**	18,100

*For identification purpose only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
For the year ended 31 December 2017

	Note	**2017** **HK cents**	2016 *HK cents* (Restated)
Earnings per share	*8*		
Basic		**5.258**	1.321*
Diluted		**4.655**	1.321*

* Adjusted for the effect of share consolidation on 28 June 2017.

CONSOLIDATED BALANCE SHEET
As at 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
ASSETS			
Non-current assets			
Property and equipment		**3,632**	4,793
Investment properties	*10*	**487,600**	64,400
Deposits		**29,751**	-
Deferred taxation assets		**3,370**	2,280
		524,353	71,473
Current assets			
Trade and other receivables	*11*	**264,333**	265,097
Tax recoverable		**1,600**	1,812
Cash and cash equivalents		**750,312**	657,661
		1,016,245	924,570
Total assets		**1,540,598**	996,043
EQUITY AND LIABILITIES			
Equity holders			
Share capital	*14*	**180,528**	137,050
Share premium	*14*	**745,086**	549,433
Reserves		**139,143**	42,823
Total equity		**1,064,757**	729,306
LIABILITIES			
Non-current liabilities			
Deferred taxation liabilities		**739**	631
Convertible note	*13*	**172,622**	-
		173,361	631
Current liabilities			
Trade and other payables	*12*	**284,717**	256,469
Bank loan		**6,286**	7,243
Tax payable		**11,477**	2,394
		302,480	266,106
Total liabilities		**475,841**	266,737
Total equity and liabilities		**1,540,598**	996,043

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a limited liability company incorporated in the Cayman Islands and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands 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 respect of commercial and industrial properties and shops, and property investment in Hong Kong.

For the period from 1 January 2016 to 22 December 2016, the ultimate holding company was Midland Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong. On 23 December 2016, Midland Holdings Limited paid dividend in specie by distributing 5 shares of the Company for every 1 share held by its own shareholders. After the distribution, Midland Holdings Limited ceased to be the ultimate holding company but maintains significant influence over the Group.

Significant event and transaction completed during the year

On 10 January 2017, the Group entered into an acquisition agreement to acquire the entire issued shares of Most Wealth (Hong Kong) Limited (“Most Wealth” or “Acquisition”), a company wholly owned by Mr. WONG Kin Yip, Freddie (“Mr. WONG”), being the director of Midland Holdings Limited. Details of the Acquisition are set out in Note 15.

2. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and liability component of convertible note which are carried at fair values.

(a) Amendments effective in 2017

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

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

2. Basis of preparation (Continued)

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

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

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9 (Note (i))	Financial Instruments	1 January 2018
HKFRS 15 (Note (ii))	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (amendments)	Transfers of Investment Property	1 January 2018
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16 (Note (iii))	Leases	1 January 2019
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019

Notes:

(i) HKFRS 9 “Financial Instruments”

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

(ii) HKFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

2. Basis of preparation (Continued)

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

(ii) HKFRS 15 "Revenue from Contracts with Customers" (Continued)

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

(iii) HKFRS 16 "Leases"

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

The accounting for lessors will not significantly change.

Impact
The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$38,415,000.

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

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

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

3. Revenues and segment information

(a) Revenues

	2017	2016
	HK$'000	*HK$'000*
Agency fee	**634,686**	517,874
Rental income	**2,561**	2,394
Total revenues	**637,247**	520,268

(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 principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops. Upon the completion of the Acquisition as detailed in Note 15, a new operating segment namely "property investment" is formed. Prior period comparative segment information has been restated accordingly to conform with the presentation in the current year.

	Year ended 31 December 2017				
	Property agency				
	Commercial properties	**Industrial properties**	**Shops**	**Property investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Total revenues	**303,908**	**177,358**	**171,985**	**2,561**	**655,812**
Inter-segment revenues	**(7,627)**	**(7,722)**	**(3,216)**	**-**	**(18,565)**
Revenues from external customers	**296,281**	**169,636**	**168,769**	**2,561**	**637,247**
Segment results	**72,273**	**31,487**	**20,840**	**9,289**	**133,889**
Fair value gain on investment properties	**-**	**-**	**-**	**8,200**	**8,200**
Impairment of receivables	**(1,778)**	**(2,581)**	**(6,288)**	**-**	**(10,647)**
Depreciation expenses	**(252)**	**(992)**	**(1,941)**	**-**	**(3,185)**
Additions to non-current assets	**230**	**922**	**835**	**415,000**	**416,987**

3. Revenues and segment information (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2016 (Restated)				
	Property agency				
	Commercial properties *HK$'000*	Industrial properties *HK$'000*	Shops *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Total revenues	219,446	115,404	202,174	2,394	539,418
Inter-segment revenues	(8,282)	(7,162)	(3,706)	-	(19,150)
Revenues from external customers	211,164	108,242	198,468	2,394	520,268
Segment results	36,604	3,606	4,246	6,502	50,958
Fair value gain on investment properties	-	-	-	4,200	4,200
Impairment of receivables	(6,105)	(5,278)	(10,003)	-	(21,386)
Depreciation expenses	(788)	(1,196)	(1,976)	-	(3,960)
Additions to non-current assets	10	506	1,126	-	1,642

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Service fee income from a related party/fellow subsidiaries, corporate expenses, 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 statement of comprehensive income. The reporting revenue from external customers is the same as the total revenue per consolidated statement of comprehensive income.

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

	2017 ***HK$'000***	2016 *HK$'000* (Restated)
Segment results for reportable segments	**133,889**	50,958
Service fee income from a related party/fellow subsidiaries	**692**	405
Corporate expenses	**(26,312)**	(29,996)
Finance income	**2,290**	2,129
Finance costs	**(5,697)**	(150)
Profit before taxation per consolidated statement of comprehensive income	**104,862**	23,346

3. Revenues and segment information (Continued)

(b) Segment information (Continued)

Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reportable segment:

As at 31 December 2017

	Property agency				
	Commercial properties	**Industrial properties**	**Shops**	**Property investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**105,377**	**86,221**	**72,571**	**518,434**	**782,603**
Segment liabilities	**107,890**	**102,144**	**58,788**	**24,014**	**292,836**

As at 31 December 2016 (Restated)

	Property agency				
	Commercial properties	Industrial properties	Shops	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	96,155	68,047	101,668	64,523	330,393
Segment liabilities	81,472	70,366	88,707	7,724	248,269

Reportable segment assets are reconciled to total assets as follows:

	2017	2016
	HK$'000	*HK$'000* (Restated)
Segment assets	**782,603**	330,393
Corporate assets	**754,625**	663,370
Deferred taxation assets	**3,370**	2,280
Total assets per consolidated balance sheet	**1,540,598**	996,043

Reportable segment liabilities are reconciled to total liabilities as follows:

	2017	2016
	HK$'000	*HK$'000* (Restated)
Segment liabilities	**292,836**	248,269
Corporate liabilities	**182,266**	17,837
Deferred taxation liabilities	**739**	631
Total liabilities per consolidated balance sheet	**475,841**	266,737

4. Other income

	2017	2016
	HK$'000	*HK$'000*
Fair value gain on investment properties (Note 10)	**8,200**	4,200
Fair value gain on convertible note	**2,395**	-
Service fee income from a related party/fellow subsidiaries	**692**	405
Others	**3**	380
	11,290	4,985

5. Operating profit

Operating profit is arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Direct operating expenses arising from investment properties that generated rental income	**27**	32
Auditor's remuneration		
- Audit services	**906**	806
- Non-audit services	**1,440**	343

6. Finance income and costs

	2017	2016
	HK$'000	*HK$'000*
Finance income		
Bank interest income	**2,290**	2,129
Finance costs		
Interest on bank loan	**(147)**	(150)
Interest on convertible note	**(5,550)**	-
Finance (cost)/income, net	**(3,407)**	1,979

7. Taxation

	2017	2016
	HK$'000	*HK$'000*
Current taxation		
Hong Kong profits tax	**15,908**	5,501
Deferred taxation	**(964)**	(255)
	14,944	5,246

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

8. Earnings per share

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

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Profit attributable to equity holders	**89,918**	18,100
Effect on interest expenses of convertible note	**5,550**	-
Profit for calculation of diluted earnings per share	**95,468**	18,100
Weighted average number of shares for calculation of basic earnings per share (thousands) (Note)	**1,709,988**	1,370,500
Effect on conversion of convertible note (thousands)	**339,488**	-
Effect on conversion of share options (thousands)	**1,189**	-
Weighted average number of shares for calculation of diluted earnings per share (thousands)	**2,050,665**	1,370,500
Basic earnings per share (HK cents)	**5.258**	1.321
Diluted earnings per share (HK cents)	**4.655**	1.321

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 weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options and the convertible note. For the year ended 31 December 2017, adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible note is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense.

Diluted earnings per share for the year ended 31 December 2016 was the same as basic earnings per share since the exercise of share options would have an anti-dilutive effect.

Note: The weighted average number of shares and the basic and diluted earnings per share for the year ended 31 December 2016 are adjusted retrospectively to take into account the effect of the share consolidation during the year (Note 14(ii)) as if it had taken place before the beginning of the comparative period.

9. Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: nil).

10. Investment properties

Investment property under development of HK$396,282,000 was acquired during the year as detailed in Note 15. Upon the completion of the enhancement works with additions of HK$18,718,000 during the year, the investment property is used as serviced apartments and shops.

The fair value gain on investment properties of HK$8,200,000 (2016: HK$4,200,000) is included in “other income” in the consolidated statement of comprehensive income (Note 4).

11. Trade and other receivables

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

	2017	2016
	HK$'000	*HK$'000*
Not yet due	**228,708**	228,122
Less than 30 days	**3,056**	8,824
31 to 60 days	**3,397**	2,455
61 to 90 days	**3,582**	4,637
91 to 180 days	**5,364**	726
Over 180 days	**792**	700
	244,899	245,464

12. Trade and other payables

Trade payables include mainly the commissions and rebates payable 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 HK$46,495,000 (2016: HK$18,117,000) which are due for payment within 30 days, and all the remaining commissions and rebates payable are not yet due.

13. Convertible note

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due on 22 March 2021 (the “Maturity Date”), in the aggregate principal amount of HK$200 million as part of the consideration for the Acquisition (Note 15). The holder of the convertible note shall have the right to convert on or before the Maturity Date the whole or any part of the principal amount of the convertible note into fully paid ordinary shares of the Company at an initial conversion price of HK$0.46 (after the effect of Share Consolidation) per ordinary share of the Company. Unless previously converted, purchased or cancelled, this note will be redeemed at their principal amount on the Maturity Date.

14. Share capital and share premium

	Note	Number of issued shares	Nominal value *HK$'000*
At 1 January 2016, 31 December 2016 and 1 January 2017 of HK$0.01 each		13,705,000,000	137,050
Issue of new shares for the Acquisition	(i)	4,347,826,086	43,478
Share consolidation	(ii)	(16,247,543,478)	-
At 31 December 2017 of HK$0.1 each		1,805,282,608	180,528

Notes:

(i) The Company issued 4,347,826,086 shares (before the effect of share consolidation) on 22 March 2017 as part of the consideration of the Acquisition (Note 15). The ordinary shares issued have the same rights as the other shares in issue. Based on the closing share price of the Company on 22 March 2017 of HK$0.055 per share (before the effect of share consolidation), the fair value of the shares issued amounted to HK$239,131,000. The issuance of shares resulted in an increment in nominal value of HK$43,478,000 (HK$0.01 per share before the effect of share consolidation) and increase in share premium of HK$195,653,000.

(ii) At 31 December 2016, the total authorised number of ordinary shares was 50 billion shares with a nominal value of HK$0.01 per share. With the approval of the shareholders at an extraordinary general meeting held on 27 June 2017, every 10 issued and unissued ordinary shares of HK$0.01 each were consolidated into 1 share of HK$0.10 each in the share capital of the Company (the "Share Consolidation"). Following the Share Consolidation which has become effective on 28 June 2017, the total authorised number of ordinary shares is 5 billion shares with a nominal value of HK$0.1 per share. All issued shares are fully paid.

15. Acquisition of a subsidiary

On 10 January 2017, the Group entered into an acquisition agreement (the "Acquisition Agreement") with Mr. WONG, the director of Midland Holdings Limited. Mr. WONG is also the spouse of Ms. TANG Mei Lai, Metty, a director of the Company, and father of Ms. WONG Ching Yi, Angela, a director of the Company. Pursuant to the Acquisition Agreement, the Group acquired the entire issued shares of Most Wealth. The consideration for the Acquisition was settled by a combination of (i) allotment and issue of 4,347,826,086 shares (before the effect of Share Consolidation) of the Company; and (ii) the issue of convertible note in the principal amount of HK$200,000,000. The consideration was subject to cash adjustment, which was paid in cash and was determined with reference to the other assets and liabilities of Most Wealth as at the completion date. The Acquisition was completed on 22 March 2017.

The principal asset of Most Wealth is the entire interest in a property located at Nos. 33 and 35 Java Road, Hong Kong. Given there was no business activity carried out by Most Wealth, the Acquisition was accounted for as an asset acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is pleased to announce that a consolidated net profit of approximately HK$89.9 million was recorded for the year ended 31 December 2017, representing an increase of 397% from that of HK$18.1 million for the year of 2016. During the reporting period, revenue of the Group amounted to HK$637.2 million, reaching a 5-year high.

The significant improvements of the Group's results were mainly attributable to:

1. the year-on-year increase in market transaction activities of the Hong Kong non-residential market in the year of 2017; and
2. cost savings as a result of relocation of branches.

All cylinders firing

The non-residential market comprises four major segments, namely, office, industrial, shops and carparks. In 2017, all four segments registered strong growth in terms of both transaction volume and value. This was the first time for all four segments to grow synchronously since 2013, when the government increased the stamp duty rate for non-residential transactions.

Among these segments, the office sector was the best performer. Its outperformance was fueled by a series of positive market news. In last May, Henderson Land group paid a historical high price of HK$23.3 billion for the commercial land in Central District sold by the government. Then, LVGEM (China) group in last October announced the HK$9 billion purchase of an office building in Kwun Tong from The Wharf group. Another mega deal was the disposal of various floors of The Center by CK Asset group for a record breaking price of HK$40.2 billion. In fact, the demand from mainlanders remained strong in 2017, and the spillover effect resulted from the red hot office sector was phenomenal, and sentiments of the other sectors were stimulated.

Industrial sector also performed well. One reason for the growth in the sales activities was the relative low price per square foot for the industrial premises. Due to the increase in prices of the other segment of non-residential properties in recent years, industrial premises have become good bargains to a lot of investors. Good economy also helped. End-users demand for the industrial premises picked up visibly during the reporting period.

Transaction volume of shops posted strong growth, after dropping for four consecutive years. Customers' confidence recovered as the economy showed modest growth. The rebound of renminbi provided another dose of stimulant. The 2.2% growth of the retail sales in last year helped stabilize rents, making retail properties attractive to some veteran investors again.

Proactive measures paid off

During the reporting period, the Group had some remarkable achievements in the high-end segment. Last year, the Group brokered a number of transactions valued at above HK$100 million. For example, the en-bloc building in Kwun Tong transacted at over HK$350 million and the en-bloc commercial building in Causeway Bay transacted at over HK$1.6 billion were both closed by the sales elites of the Group.

As a member of the comprehensive sales platform, the Group also leveraged on the network of Midland Holdings Limited, the controlling shareholder of the Group. Teaming up with Midland Realty, the Group brokered some other remarkable deals such as a storey of Shun Tak Centre in Sheung Wan transacted at over HK$750 million and en-bloc industrial building in Kwai Chung transacted at over HK$420 million.

The growth of market activities was the major driver for the significant improvement of the financial performance of the Group. Also, the good results were attributable to the cost saving measures initiated by the Group in 2016 when the market was relatively quiet, such measures included (1) branch relocations; and (2) restructuring of the shop division of Hong Kong Property.

OUTLOOK

Broad-based global growth

The world's major economies are expected to continue to grow in 2018, supported by the relatively low unemployment rate and strong consumer confidence. The US economy is likely to further gain strength after the tax reform. The Euro economy has stood on solid footing again. In additions, worries of a hard landing in mainland economy have subsided, and the market has restored its confidence on renminbi which has resumed upward trend. Despite the rosy outlook, the global economy will continue to face some potential threats such as rising international tensions and the threat of protectionism.

Benefiting from the potential of overall growth in the global economy, the local economy is expected to show reasonable growth in 2018. The non-residential market is expected to keep the momentum. For instance, the double digital growth of the mainland tourists visiting Hong Kong during the Chinese New Year breaks already boded well for the retail properties segment. Furthermore, the mainlander's demand for en-bloc buildings has not receded. It is likely that there will be numerous mega deals for office towers to take place in this year. Transaction volume of the industrial premises is expected to post modest growth as it is likely that more landlords will launch new units for sale in the market. While stock market turbulence will have potential to disrupt the uptrend, the property market's status as a safe haven will be reinforced if there is a stock market correction.

Focus on big tickets transactions

The increasing participation of the mainland enterprises has changed the landscape of the Hong Kong market. The Group expects that their demand will be further fueled by the "Belt and Road" and the Greater Bay Area initiatives. To capture these valuable opportunities, the Group will put more focus on big ticket transactions, and will build a closer tie with the mainland operations of Midland Holdings Limited and take other initiatives with the aim to penetrate the mainland market.

Property Investments

In mid-March of 2018, the Group completed the acquisitions of several floors and carparks of an industrial building located in Kwai Chung, New Territories. These properties will be let out for rental income and will provide an additional and stable rental income to the Group.

Following the acquisition of the properties in Kwai Chung and the en-bloc building at Nos. 33 and 35 Java Road in 2017 which is currently used as serviced apartments and shops, the Group will continue to pursue the strategy of diversification and exploration of new investments and business opportunities.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding

As at 31 December 2017, the Group had cash and cash equivalents of HK$750,312,000 (2016: HK$657,661,000), whilst bank loan amounted to HK$6,286,000 (2016: HK$7,243,000) and unsecured zero coupon convertible note of HK$172,622,000 (2016: Nil).

The maturity profile of the Group's borrowings is set out as follows:

	2017 HK$'000	2016 HK$'000
Bank loan *(Note)*		
- repayable within 1 year	**961**	951
- repayable after 1 year but within 2 years	**988**	973
- repayable after 2 years but within 5 years	**3,137**	3,062
- repayable over 5 years	**1,200**	2,257
	6,286	7,243
Convertible note		
- repayable after 2 years but within 5 years	**172,622**	-

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

The Group's bank loan was secured by certain investment properties held by the Group of HK$72,600,000 (2016: HK$64,400,000). As at 31 December 2017, the Group had unutilised borrowing facilities amounting to HK$15,000,000 (2016: HK$15,000,000) from a bank. Both of the cash and cash equivalents and the bank loan of the Group are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2017, the gearing ratio of the Group was 16.8% (2016: 1.0%). The gearing ratio is calculated on the basis of the Group's total bank loan and convertible note over total equity of the Group. Increase in gearing ratio was due to the issue of convertible note for the Acquisition. 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 3.4 (2016: 3.5). The return on equity of the Group, which is the ratio of profit for the year over total equity, was 8.4% (2016: 2.5%).

The directors of the Company (the "Directors") are of the view that there are sufficient financial resources to satisfy the Group's capital commitments and on-going working capital requirements.

Capital Structure and Foreign Exchange Exposure

With the approval of the shareholders at an extraordinary general meeting held on 27 June 2017, every 10 issued and unissued ordinary shares with a par value of HK$0.01 each were consolidated into 1 ordinary share with a par value of HK$0.10 each in the share capital of the Company. The share consolidation was effective on 28 June 2017.

Save for the issue of shares and convertible note in relation to the Acquisition and the share consolidation, there was no material change in the Group's capital structure during the year. The Group generally finances its operating and investing activities with equity holders' funds.

The Group's income and monetary assets and liabilities are denominated in Hong Kong dollars. The Directors consider that the foreign exchange exposure of the Group is minimal.

Contingent Liabilities

As at 31 December 2017, the Company executed corporate guarantees amounting to HK$29,780,000 (2016: HK$29,780,000) as the securities for general banking facilities and a bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2017, banking facilities of HK$6,286,000 were utilised by a subsidiary (2016: HK$7,243,000).

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

Material Investments

(i) Acquisition during 2017

On 10 January 2017, the Group entered into an acquisition agreement pursuant to which the Group acquired the entire issued shares of Most Wealth. The principal asset of Most Wealth is a property located at Nos. 33 and 35 Java Road, Hong Kong. The consideration was settled by a combination of (i) the allotment and issue of 4,347,826,086 shares (before the effect of share consolidation) of the Company; and (ii) the issue of convertible note with principal amount of HK$200 million. The consideration was subject to cash adjustment, which was paid in cash and was determined with reference to the other assets and liabilities of Most Wealth as at the completion date. For details, please refer to the Company's announcements dated 10 January 2017 and 22 March 2017 and the circular dated 17 February 2017. The Acquisition was completed on 22 March 2017. The property was ready to be used as serviced apartments and shops at the end of 2017.

(ii) Acquisition completed after the reporting period

On 28 November 2017, the Group entered into target companies acquisition agreements and properties acquisition agreements (the "LMK Acquisitions"). Pursuant to the target companies acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell the entire issued shares (and including the assignment of sale debt) of the target companies. The principal assets of the target companies are the property interests in 6th and 8th floors of LMK Development Estate. Pursuant to the properties acquisition agreements, the purchasers have conditionally agreed to acquire and the sellers have conditionally agreed to sell 5th, 7th and 12th floors and three car parking spaces of LMK Development Estate. The aggregate consideration for the LMK Acquisitions is agreed at HK$196 million (subject to cash adjustment) and was settled by cash of the Group. The LMK Acquisitions were completed on 16 March 2018. The properties are intended to be leased out for rental income. For details, please refer to the Company's announcements dated 28 November 2017 and 16 March 2018 and the circular dated 23 January 2018.

The financial position of the Group remains solid and healthy. The Acquisition and the LMK Acquisitions allow the Company to further broaden the income source and avoid the reliance on its volatile agency fee income and allow the Group to enjoy the possible capital appreciation of the properties.

Employee information

As at 31 December 2017, the Group employed 720 full-time employees (2016: 657).

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 a final dividend for the year ended 31 December 2017 (2016: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions at all applicable times during the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2017. The figures in this announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF 2017 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandici.com.hk). The 2017 Annual Report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our shareholders and customers for their continuous support, and to the management and all staff members for their hard work and dedication throughout the year.

By Order of the Board
Midland IC&I Limited
WONG Hon Shing, Daniel
Chief Executive Officer and Executive Director

Hong Kong, 27 March 2018

As at the date of this announcement, the Board comprises eight Directors, of which three are Executive Directors, namely Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; two are Non-Executive Directors, namely Mr. KAN Chung Nin, Tony and Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate); and three are Independent Non-Executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted.