MIDLAND HOLDINGS LIMITED
美聯集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1200)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board" or the "Directors") of Midland Holdings Limited ("Midland" or the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010 together with the comparative figures as follows:

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
Revenues	3(a)	3,736,952	3,404,856
Other income	4	34,866	27,846
Staff costs		(2,121,894)	(1,766,467)
Rebate incentives		(243,809)	(182,422)
Advertising and promotion expenses		(119,063)	(81,119)
Operating lease charges in respect of office and shop premises		(302,833)	(251,792)
Impairment of receivables		(68,521)	(78,721)
Depreciation and amortisation costs		(34,806)	(33,315)
Other operating costs		(222,099)	(226,570)
Operating profit	5	658,793	812,296
Finance income	6	4,315	2,812
Finance costs	6	(476)	(1,264)
Share of results of			
Jointly controlled entities		24,227	14,124
An associated company		308	3,931
Profit before taxation		687,167	831,899
Taxation	7	(119,218)	(118,176)
Profit for the year		567,949	713,723
Attributable to:			
Equity holders		532,794	691,237
Non-controlling interests		35,155	22,486
		567,949	713,723
Dividends	8	426,427	589,524
		HK cents	HK cents
Earnings per share	9		
Basic		73.57	95.44
Diluted		73.57	95.44

* *For identification purposes only*

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	567,949	713,723
Other comprehensive income		
Currency translation differences	5,373	17
Change in fair value of land and buildings upon transfer of properties to investment properties	6,652	3,448
Change in fair value of available-for-sale financial assets	(877)	1,320
	11,148	4,785
Total comprehensive income for the year	579,097	718,508
Total comprehensive income for the year attributable to:		
Equity holders	543,942	696,022
Non-controlling interests	35,155	22,486
	579,097	718,508

Consolidated Balance Sheet

As at 31 December 2010

	Note	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000 (Restated)	As at 1 January 2009 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		162,416	150,495	147,810
Investment properties		76,095	54,870	71,400
Land use rights		–	23,426	23,824
Interests in jointly controlled entities		58,295	48,068	30,212
Interests in an associated company		1,270	4,162	231
Available-for-sale financial assets		13,927	11,851	11,949
Deferred taxation assets		19,141	10,840	13,629
		331,144	303,712	299,055
Current assets				
Trade and other receivables	10	1,258,827	1,114,268	698,430
Financial assets at fair value through profit or loss		163	174	5,278
Amount due from an associated company		–	–	9,720
Taxation recoverable		–	–	25,280
Cash and bank balances		1,601,926	1,477,419	941,977
		2,860,916	2,591,861	1,680,685
Assets held for sale		–	13,000	27,137
		2,860,916	2,604,861	1,707,822
Total assets		3,192,060	2,908,573	2,006,877
EQUITY AND LIABILITIES				
Equity holders				
Share capital		72,423	72,423	72,423
Share premium		247,484	247,484	247,484
Reserves		1,219,361	1,101,846	995,348
Proposed dividend		232,333	317,213	7,242
		1,771,601	1,738,966	1,322,497
Non-controlling interests		110,476	75,321	52,835
Total equity		1,882,077	1,814,287	1,375,332
Non-current liabilities				
Deferred taxation liabilities		1,801	967	1,471
Current liabilities				
Trade and other payables	11	1,256,857	1,008,259	602,510
Bank loans		12,663	22,493	18,678
Liabilities associated with assets held for sale		–	–	8,886
Amount due to an associated company		500	3,200	–
Taxation payable		38,162	59,367	–
		1,308,182	1,093,319	630,074
Total liabilities		1,309,983	1,094,286	631,545
Total equity and liabilities		3,192,060	2,908,573	2,006,877
Net current assets		1,552,734	1,511,542	1,077,748
Total assets less current liabilities		1,883,878	1,815,254	1,376,803

Notes:

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 principal office in Hong Kong is Rooms 2505-2508, 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 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 financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values.

(b) Standards, interpretations and amendments effective in 2010

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 17 Amendment	Leases
HKAS 18 Amendment	Revenue
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the above new or revised standards and amendments and interpretation to standards did not have significant effect on the financial statements or result in any significant changes in the Group's significant accounting policies except as described below:

(i) HKFRS 3 (Revised) "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date when control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The adoption of this revised standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.

(ii) HKAS 27 (Revised) "Consolidated and Separate Financial Statements". The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the income statement. The adoption of this amendment to standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.

(iii) HKAS 17 Amendment, "Leases". It deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease terms was classified as operating lease under "leasehold land and land use rights", and amortised over the lease term.

HKAS 17 Amendment has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The accounting for land interest classified as finance lease is as below:

(a) If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the time when the land interest is available for its intended use over the shorter of the useful live of the asset and the lease term; and

(b) If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property and carried at fair value.

The effect of the adoption of this amendment is as below:

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000	As at 1 January 2009 HK$'000
Decrease in leasehold land and land use rights	(71,151)	(72,324)	(75,398)
Increase in property, plant and equipment	71,151	72,324	75,398

(iv) On 29 November 2010, the HKICPA issued HK Interpretation 5 – Presentation of Financial statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. This interpretation states that liability, which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. In prior years, the Group classified the borrowings based on the maturity of the borrowings. The effective of the interpretation has resulted in a change in the accounting policy relating to the classification of borrowings as current liabilities and non-current liabilities and as a result the Group has reclassified certain borrowings from non-current liabilities to current liabilities.

The effect of the adoption of this amendment is as below:

	As at 31 December 2010 HK$'000	As at 31 December 2009 HK$'000	As at 1 January 2009 HK$'000
Decrease in bank loans – Non-current liabilities	(11,810)	(20,578)	(16,956)
Increase in bank loans – Current liabilities	11,810	20,578	16,956

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

The HKICPA has issued a number of new or revised standards and amendments to standards which are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, relevant to the Group and have not been early adopted.

Effective for the year ending 31 December 2011

HKAS 24 (Revised) Related Party Disclosures

Effective for the year ending 31 December 2012

HKAS12 Income Taxes (Amendment) Deferred Tax: Recovery of Underlying Assets

Effective for the year ending 31 December 2013

HKFRS 9 Financial Instruments

The Group is assessing the impact of these new or revised standards and amendments. The adoption of these new or revised standards and amendments will not result in a significant impact on the results and financial position of the Group except for the adoption of HKAS 12 (Amendment) where the Group is expected to derecognise the deferred tax liabilities arising from investment property measured at fair value and there will also be certain changes in presentation and disclosures in the financial statements.

3. Revenues and segment information

(a) Revenues

	2010 HK$'000	2009 HK$'000
Turnover		
Agency fee	3,683,019	3,347,722
Rental from investment properties	3,193	5,390
Web advertising	1,639	1,570
Internet education services	26,682	20,963
Other services	22,419	29,211
	3,736,952	3,404,856

(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.

	Year ended 31 December 2010			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Total revenues	3,159,618	584,200	63,466	3,807,284
Inter-segment revenues	(40,204)	(20,595)	(9,533)	(70,332)
Revenue from external customers	3,119,414	563,605	53,933	3,736,952
Segment results	593,607	137,491	61,651	792,749
Impairment of receivables	55,979	12,356	186	68,521
Depreciation and amortisation costs	30,431	2,242	936	33,609
Share of results of				
– jointly controlled entities	–	–	24,227	24,227
– an associated company	–	–	308	308
Fair value gains on investment properties	–	–	18,529	18,529
Fair value gains on assets held for sale	–	–	330	330
Additions to non-current assets	48,324	2,290	98	50,712

	Year ended 31 December 2009			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Total revenues	2,959,455	439,993	67,577	3,467,025
Inter-segment revenues	(33,408)	(18,318)	(10,443)	(62,169)
Revenue from external customers	2,926,047	421,675	57,134	3,404,856
Segment results	775,494	102,275	57,002	934,771
Impairment of receivables	71,888	6,797	36	78,721
Depreciation and amortisation costs	28,132	2,068	1,909	32,109
Share of results of				
– jointly controlled entities	(1,501)	–	15,625	14,124
– an associated company	–	–	3,931	3,931
Fair value gains on investment properties	–	–	11,680	11,680
Additions to non-current assets	16,294	3,119	11,781	31,194

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, net unrealised and realised gains/(loss) on financial assets at fair value through profit or loss, realised gains 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.

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

	2010 HK$'000	2009 HK$'000
Segment results for reportable segments	792,749	934,771
Corporate expenses	(110,305)	(111,143)
Net unrealised and realised (loss)/gains on financial assets at fair value through profit or loss	(15)	6,723
Realised gains on available-for-sale financial assets	899	–
Finance income	4,315	2,812
Finance costs	(476)	(1,264)
Profit before taxation	687,167	831,899

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, financial assets at fair value through profit or loss, available-for-sale financial assets, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets and liabilities.

	As at 31 December 2010			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	1,415,511	537,000	186,239	2,138,750
Segment assets include:				
Interests in jointly controlled entities	–	–	58,295	58,295
Interests in an associated company	–	–	1,270	1,270
Segment liabilities	1,044,160	177,867	20,094	1,242,121

	As at 31 December 2009			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	1,283,667	375,176	205,830	1,864,673
Segment assets include:				
Interests in jointly controlled entities	–	–	48,068	48,068
Interests in an associated company	–	–	4,162	4,162
Segment liabilities	847,943	136,045	28,536	1,012,524

Reportable segment assets are reconciled to total assets as follows:

	2010 HK$'000	2009 HK$'000
Segment assets	2,138,750	1,864,673
Corporate assets	1,020,079	1,021,035
Deferred taxation assets	19,141	10,840
Financial assets at fair value through profit or loss	163	174
Available-for-sale financial assets	13,927	11,851
Total assets per consolidated balance sheet	3,192,060	2,908,573

Reportable segment liabilities are reconciled to total liabilities as follows:

	2010 HK$'000	2009 HK$'000
Segment liabilities	1,242,121	1,012,524
Corporate liabilities	66,061	80,795
Deferred taxation liabilities	1,801	967
Total liabilities per consolidated balance sheet	1,309,983	1,094,286

4. Other income

	2010 HK$'000	2009 HK$'000
Dividend income from listed investments	–	69
Fair value gains on investment properties	18,529	11,680
Fair value gains on assets held for sale	330	–
Gain on disposal of a subsidiary	2,719	–
Gains on disposal of investment properties	–	3,014
Gains on disposal of assets held for sale	12,389	6,360
Realised gains on available-for-sale financial assets	899	–
Unrealised and realised gains on financial assets at fair value through profit or loss	–	6,723
	34,866	27,846

5. Operating profit

Operating profit is arrived at after charging:

	2010 HK$'000	2009 HK$'000
Loss on disposal of property, plant and equipment	2,505	3,384
Direct operating expenses arising from investment properties that:		
– generated rental income	407	377
– did not generate rental income	62	26
Net unrealised loss on financial assets at fair value through profit or loss	15	–

6. Finance income and costs

	2010 HK$'000	2009 HK$'000
Finance income		
Bank interest income	4,315	2,812
Finance costs		
Interest on bank loans and overdrafts (Note)		
Wholly repayable within five years	(14)	–
Not wholly repayable within five years	(462)	(1,264)
	(476)	(1,264)
Finance income, net	3,839	1,548

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

7. Taxation

	2010 HK$'000	2009 HK$'000
Current		
Hong Kong profits tax	126,418	109,065
Overseas	202	6,826
Deferred	(7,402)	2,285
	119,218	118,176

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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

	2010 HK$'000	2009 HK$'000
Interim paid of HK$0.268 (2009: HK$0.176) per share	194,094	127,465
Interim special cash bonus paid of nil (2009: HK$0.20) per share	–	144,846
Proposed final of HK$0.2028 (2009: HK$0.438) per share	146,874	317,213
Proposed "創業38周年" special cash bonus of HK$0.118 (2009: nil) per share	85,459	–
	426,427	589,524

At a board meeting held on 17 March 2011, the directors proposed a final dividend of HK$0.2028 per share and "創業38周年" special cash bonus of HK$0.118 per share. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

9. Earnings per share

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

	2010 HK$'000	2009 HK$'000
Profit attributable to equity holders	532,794	691,237
Number of shares for calculating basic earnings per share (thousands)	724,231	724,231
Effect on conversion of share options (thousands)	–	–
Number of shares for calculating diluted earnings per share (thousands)	724,231	724,231
Basic earnings per share (HK cents)	73.57	95.44
Diluted earnings per share (HK cents)	73.57	95.44

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. 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 earnings per share for the year ended 31 December 2010 and 2009 did not assume the exercise of share options outstanding during the year since the exercise of share options would have an anti-dilutive effect.

10. Trade and other receivables

The trade receivables represent principally 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 the relevant agreements. The ageing analysis of the trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
Not yet due	893,616	807,730
Less than 30 days	71,064	56,310
31 to 60 days	18,128	34,176
61 to 90 days	24,147	22,904
Over 90 days	51,775	35,417
	1,058,730	956,537

11. Trade and other payables

The trade payables and commissions payable include principally the commissions payable to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK$128,559,000 (2009: HK$71,885,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

REVIEW

Revenue for the Group rose 10% from 2009 to HK$3,736,952,000 in the 12 months ended 31 December 2010. Profit for the year, however, declined 20% to HK$567,949,000 on government frequent intervention in China property market which affected our mainland operations and intensified competition in Hong Kong's real estate agency industry.

Strategy of diversification pays off

During the reporting year, a number of major projects that Midland Realty brokered in the primary market helped it make a mark. For the seventh year in a row, Midland Realty was given a "Gold Award" by Henderson Land Development Company for its efforts in brokering home sales. What's more, Midland Realty was recognised by various developers for having achieved the highest sales volume in a number of major residential projects, namely, Valais and Yoho Midtown. Building a stronghold in Hong Kong, the Group has established longstanding and viable relationship with its clientele. As a result, we also performed well in the secondary market last year.

Riding on the prowess we made in the market in 2009, the Group continued to go on the offensive last year with a flexible promotion strategy. As a matter of fact, we have adopted a diversified approach to marketing. Besides television commercials, image advertisements in magazines and large-scale property seminars, Midland Realty also sponsored Television Broadcasting Limited's production of a new series of "Living Up" infotainment programme. In addition, our sponsorship of the "Midland Holdings Cup Race Day" also became a popular social event among celebrities in the city.

Increased brand recognition had helped boost sales in the segment of big-ticket transaction. Last year, Midland Realty joined force with Midland IC&I in brokering some major sale transactions last year, notably, the entire building at 69 Jervois Street, Sheung Wan and the building at 14 – 16, Hankow Road, Tsimshatsui. The first fetched HK$650 million while the latter, HK$1.38 billion. Not only did these embody its strengths in residential market, but also the solid market position in the commercial sector.

Competition on the rise

Despite intensifying competition, the Group was able to leverage its strong position in the market to raise its revenue. Doubtless, the local property scene performed better last year than the year before. But that also set the stage for a more challenging operating environment. To begin with, Government policies brought a lot of volatility to the property market, making it difficult to operate our business on a day-to-day basis. More importantly, small-and-mid-sized brokerages expanded considerably last year. A tally by the Estate Agents Authority shows that licensed real estate brokerages increased by 941 or 20% to 5,601 shops in 2010 while the number of total licensees rose 21% to 31,306 persons.

Although the smaller brokerages turned active, the Group continued to have a branding advantage. In fact, having expanded its market position over the past decades, the Group was well prepared for the rising challenge. When the local property market peaked in 1997, the total value of property transactions amounted to HK$868 billion. That year, the Group's revenue was HK$1.77 billion. By comparison, the Group's revenue for 2010 was 111% more than that in 1997, whereas property sales for the entire market were just HK$689.48 billion during the year. This was evidence indeed that the Group's market position has increased considerably over the past decade.

Enhancing operational efficiency

Recognising that competition was on the rise, the Group established the Chairman's Office to strengthen its management capacity some years ago. And Central Professional Units was also formed to raise the service quality and professional standards. Last year, we stepped up our efforts in network and manpower expansion. Mr. WONG Kin Yip, Freddie ("Mr. WONG"), the Chairman and Managing Director of the Company, met regularly with the senior management and the agents to map out strategic directions. For instance, at a "Magic Dinner," a corporate event, Mr. WONG led senior management to recognise top performers as a means to boost staff morale. Under the shadow of cooling measures implemented by the government, however, our performance on the mainland last year did not match that of 2009. Even so, we are aware of the huge potentials of mainland market and boosted our management resources. In the fourth quarter, we gave Ms. IP Kit Yee, Kitty, the Executive Director of the Company, the additional responsibility of supervising the mainland's back office and put Mr. CHEUNG Kam Shing, the Consultant (Group) of the Group, in charge of the Group's mainland affairs. We hope this management maneuver will strengthen the management team of our mainland division.

OUTLOOK

Thanks to the global economic recovery, Hong Kong's gross domestic product gained 6.8% in 2010. The unemployment rate also came off from the peak of the global financial crisis. In the coming year, the Group expects that mainland China and the rest of Asia will retain last year's momentum in economic recovery to benefit Hong Kong. In this light, if interest rates stay low, the local property market will benefit.

On the other hand, we are aware of uncertainties prevailing on the global scene. First, local mortgage rates are subject to upward pressure. Moreover, the Government has indicated that it might launch more cooling measures on the market anytime. Competition within the industry is also on the rise. Having ridden out various boom-and-bust cycles over the years, management is well prepared to handle volatilities both in the market and on the politico-economic level. Mr. WONG believes that with management and staff pulling together, the Group will meet challenges with adequate resources and flexibility to strengthen its market position in the year 2011.

Public policy to sway market direction

Since hitting the trough in mid-2003, local property prices have risen about 200%. Given the rebounding economy and the low interest rate environment, the property market is well supported. But fears of overheating have led the Government to introduce a number of cooling measures since the fourth quarter of 2009. Even though the property market continued to trend up last year, in the face of increased volatility, the pace and degree of expansion fell short of the 2009 levels. On the whole, the volume of property transactions rose in 2010, but the activity level was as erratic as market sentiment. It was certainly more challenging to operate in such an environment.

It is noteworthy that the Government has made public its increasing resolve to rein in the property market to prevent an asset bubble. Intervention has been more frequent and more aggressive. The special stamp duty introduced last November, for instance, has curbed essentially short-term flipping activities, leaving mainly end-users in the market. Having said that, housing needs of the genuine buyers coupled with strong offshore demand is expected to lend support to the home sector.

Probably with this in mind, the Government said in its just released Budget that it would increase substantially the supply of land, enough to build between 30,000 to 40,000 private residential units. This is further proof of its resolve to stabilise the market. Since the property market has started to show irrational exuberance, we believe that the Government will remain vigilant and launch more measures when necessary. We shall keep a close tab on the market as well and strengthen intra-group communication and interaction between senior management and front-line staff. This way, the entire Group will be better equipped to face issues that tightening controls bring.

Uncertainties to temper global outlook

The Group is of the opinion that this year, mainland China and the rest of Asia is expected to expand on last year's momentum. Last year, the mainland's GDP gained 10.3%. Going by the recently announced 12th Five-year Plan, the mainland's economy is believed to go from strength to strength. As an international financial centre in the area, Hong Kong looks set to benefit more. However, economic recovery in Europe and America remains fragile. The problem of sovereign debts in some Eurozone countries is yet to be resolved while unemployment stays high in America. On top of all this is the recent surge in oil prices brought on by political upheavals in North Africa and the Middle East. Hong Kong definitely will be brought to the test, given the open nature of its economy.

Meanwhile, the "quantitative easing" policy that the United States continues to adopt has flooded global markets further with liquidity. Inflation is becoming a clear and present danger in Asia. A number of Hong Kong's neighbors already have introduced policies in anticipation. For the same reason, mainland government launched curbs on property trading and started to raise interest rates. In the long run, this will help bring about orderly growth in the market. But in the near term, our operations on the mainland will be affected.

'Flying White Horse' to lead the herd

While demand for homes remains strong in Hong Kong, the market is swayed increasingly by Government policies so that buy-sell activities fluctuate. Add the faltering pace of economic recovery in the Western world and political turbulence in the Arab world and one can predict greater uncertainties ahead for both the local economy and the property market. In addition, the daily operations will also be affected by the implementation of minimum wage ordinance. Despite rising uncertainties, the Group will continue to apply a wide range of strategies at its disposal to respond promptly and creatively to market changes and rising competition. For instance, in the fourth quarter last year, in response to market competition, the commission rate for front-line sales staff was adjusted. Morale was raised as a result.

Placing importance on branding has paid off. During the year, the Group won the "2010 CEO Supreme Brand Awards". Our "Legend of the White Horse" television commercial series tell of the ups and downs of the Hong Kong property market. The series start off with a white horse "pacing the meadows" to describe how the market emerged from the doldrums of 2003. Then the horse galloped right up to the cliff and stopped. That is the scene to depict that the Group expressed doubt over the sustainability of the market before the onset of the global financial crisis in 2008. Then the white horse grew wings and took flight as a Pegasus, signifying the market recovering from the financial tsunami. In the series produced for last year, the white horse galloped high in the sky, symbolising that the Group was full of confidence in the property market in 2010. The image of Midland Holdings is now associated with the different postures of the white horse in the TVC. In good times and bad times, the Group can use the flying white horse image to reinforce its leading position in the industry. This, we believe, will be a definite advantage when it comes to recruiting new blood and attracting new clientele.

In addition, the Group's members launched some new communication services, including applications for i-Phone and Android platforms to meet customer demand for timely dissemination of market intelligence, thus further reinforcing our leadership. We plan to devote more resources to improve the quality of our mobile communication to sharpen our competitive edge.

Note of thanks

Last but not least, the Board would like to thank each and every staff member for a job well done. The increase in revenue last year was wrought with much effort, given repeated Government intervention in the market. Increasing competition also added to the challenge, keeping all staff – from senior executives to junior operatives – on their toes. Despite such pressure, our colleagues were able to carry out their duties diligently, keep up the spirit and stay earnest and energetic. They were devoted 100% and were immensely resourceful. We have them to thank for the Group's respectable performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Funding

As at 31 December 2010, the Group had cash and bank balances of HK$1,601,926,000 (2009: HK$1,477,419,000), whilst bank loans amounted to HK$12,663,000 (2009: HK$22,493,000). The Group's bank loans were secured by certain land and buildings held by the Group of HK$27,441,000 (2009: secured by certain land use rights, land and buildings of HK$46,637,000) and with maturity profile set out as follows:

Repayable	2010 HK$'000	2009 HK$'000
Within 1 year	853	1,915
After 1 year but within 2 years	870	1,986
After 2 years but within 5 years	2,716	6,405
Over 5 years	8,224	12,187
	12,663	22,493

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

As at 31 December 2010, the Group had unutilised banking facilities amounting to HK$188,156,000 (2009: HK$ 224,940,000) from various banks. The Group's cash and bank balances are deposited in Hong Kong Dollars, United States Dollars, Renminbi and Macau Pataca and the Group's bank loans are in Hong Kong Dollars. No currency hedging tool is used. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2010, the gearing ratio of the Group was 0.67% (2009: 1.24%). The gearing ratio is computed on the basis of total bank loans divided by total equity of the Group. 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 2.2 (2009: 2.4).

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

During the year ended 31 December 2010, there was no change in the Company's capital structure. The Group generally finances its operations and investing activities with equity holders' funds.

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

Contingent Liabilities

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

Employee information

As at 31 December 2010, the Group employed 7,747 full time employees of which 6,677 were sales agents, 567 were back office supportive employees and 503 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 option 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. On staff development, both in-house and external training and development programmes are conducted on a regular basis.

FINAL DIVIDEND AND "創業38周年" SPECIAL CASH BONUS

The Directors proposed a final dividend of HK$0.2028 per ordinary share for the year (2009: HK$0.438 per ordinary share) and "創業38周年" special cash bonus of HK$0.118 per ordinary share for the year (2009: Nil) to shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 6 May 2011. Taking into account of the interim dividend, the total dividend for the year would amount to HK$0.5888 per ordinary share, totalling HK$426,427,000 for the year (2009: HK$0.814 per ordinary share, totalling HK$589,524,000), representing a decrease of approximately 28% compared with last year. Subject to approval of the shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or around Friday, 13 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 May 2011 to Friday, 6 May 2011, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the proposed final dividend and "創業38周年" special cash bonus, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 3 May 2011.

CORPORATE GOVERNANCE

The Company has complied with the requirements of all the code provisions set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2010, except that the roles of the chairman and the chief executive officer of the Company are not segregated under code provision A.2.1 of the CG Code.

Mr. WONG Kin Yip, Freddie ("Mr. WONG") is the Chairman and Managing Director of the Company and is also the founder of the Group. Mr. WONG is responsible for formulating the overall corporate directions and corporate strategies of the Group and is also responsible for leading the management team.

Mr. WONG also carried out the function of chief executive officer of the Company. The daily operation and management of the Company are monitored by the Executive Directors as well as the senior management of the Company, whereas the senior executives of the respective strategic business units of the Group are responsible for performing and overseeing the business operation of the respective business units.

Although code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual, the Board considers that the above structure will not impair the balance of power and authority between the Board and the senior management of the Company.

The Board believes that under the leadership of Mr. WONG, the current structure is conducive to strong and consistent leadership and management, with focused power enabling the Company to make and implement business decisions and strategies promptly and efficiently which is beneficial to the business prospects and development of the Group.

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 of the Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2010.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2010. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 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 Engagement issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2010 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midland.com.hk). The 2010 Annual Report will be dispatched to the shareholders and will be available in the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

On behalf of the Board
WONG Kin Yip, Freddie
Chairman and Managing Director

Hong Kong, 17 March 2011

As at the date of this announcement, the Board comprises nine directors, of which six are executive directors, namely, Mr. Wong Kin Yip, Freddie, Ms. Tang Mei Lai, Metty, Mr. Wong Kam Hong, Ms. Wong Ching Yi, Angela, Mr. Chan Kwan Hing and Ms. Ip Kit Yee, Kitty; and three are independent non-executive directors, namely, Mr. Koo Fook Sun, Louis, Mr. Sun Tak Chiu and Mr. Wang Ching Miao, Wilson.