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美聯集團
MIDLAND HOLDINGS

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 2012

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 2012 together with the comparative figures as follows:

Consolidated Income Statement
For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000 (Restated)
Revenues	*3(a)*	**3,910,670**	3,397,723
Other income	*4*	**23,407**	7,055
Staff costs		**(2,141,857)**	(1,932,980)
Rebate incentives		**(431,228)**	(365,474)
Advertising and promotion expenses		**(110,814)**	(115,905)
Operating lease charges in respect of office and shop premises		**(477,108)**	(403,549)
Impairment of receivables		**(116,575)**	(100,433)
Depreciation and amortisation costs		**(48,010)**	(48,129)
Other operating costs		**(269,676)**	(254,991)
Operating profit	*5*	**338,809**	183,317
Finance income	*6*	**11,937**	12,527
Finance costs	*6*	**(244)**	(229)
Share of results of			
Jointly controlled entities		**6,999**	16,595
An associated company		**-**	(153)
Profit before taxation		**357,501**	212,057
Taxation	*7*	**(59,779)**	(52,932)
Profit for the year		**297,722**	159,125

** For identification purposes only*

Consolidated Income Statement (Continued)
For the year ended 31 December 2012

	Note	**2012**	2011
		HK$'000	*HK$'000*
			(Restated)
Profit attributable to:			
Equity holders		**249,826**	133,900
Non-controlling interests		**47,896**	25,225
		297,722	159,125
Dividends	*8*	**174,773**	220,565
		HK cents	*HK cents*
			(Restated)
Earnings per share	*9*		
Basic		**34.89**	18.54
Diluted		**34.82**	18.54

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit for the year	**297,722**	159,125
Other comprehensive income		
Currency translation differences	**1,123**	1,045
Release of currency translation difference arising from deregistration of a subsidiary	**1,408**	-
Change in fair value of available-for-sale financial assets	**1,181**	(1,256)
	3,712	(211)
Total comprehensive income for the year, net of tax	**301,434**	158,914
Total comprehensive income for the year attributable to:		
Equity holders	**253,543**	133,728
Non-controlling interests	**47,891**	25,186
	301,434	158,914

Consolidated Balance Sheet

As at 31 December 2012

	Note	**As at 31 December 2012 HK$'000**	As at 31 December 2011 HK$'000 (Restated)	As at 1 January 2011 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**179,070**	172,078	162,416
Investment properties		**101,812**	82,270	76,095
Land use rights		**1,411**	-	-
Interests in jointly controlled entities		**53,589**	58,090	58,295
Interests in an associated company		**-**	17	1,270
Available-for-sale financial assets		**18,706**	15,179	13,927
Deferred taxation assets		**21,471**	13,793	19,384
		376,059	341,427	331,387
Current assets				
Trade and other receivables	*10*	**1,822,655**	1,167,740	1,258,827
Financial assets at fair value through profit or loss		**155**	130	163
Taxation recoverable		**-**	18,367	-
Cash and bank balances		**1,289,966**	1,249,009	1,601,926
		3,112,776	2,435,246	2,860,916
Total assets		**3,488,835**	2,776,673	3,192,303

Consolidated Balance Sheet (Continued)
As at 31 December 2012

	Note	As at 31 December 2012 HK$'000	As at 31 December 2011 HK$'000 (Restated)	As at 1 January 2011 HK$'000 (Restated)
EQUITY AND LIABILITIES				
Equity holders				
Share capital		**71,805**	71,939	72,423
Share premium		**223,505**	224,354	247,484
Reserves		**1,243,437**	1,151,301	1,220,829
Proposed dividend		**71,805**	59,584	232,333
		1,610,552	1,507,178	1,773,069
Non-controlling interests		**183,717**	135,826	110,476
Total equity		**1,794,269**	1,643,004	1,883,545
Non-current liabilities				
Deferred taxation liabilities		**2,417**	889	576
Current liabilities				
Trade and other payables	*11*	**1,658,555**	1,120,980	1,256,857
Bank loan		**10,926**	11,800	12,663
Amount due to an associated company		**-**	-	500
Taxation payable		**22,668**	-	38,162
		1,692,149	1,132,780	1,308,182
Total liabilities		**1,694,566**	1,133,669	1,308,758
Total equity and liabilities		**3,488,835**	2,776,673	3,192,303
Net current assets		**1,420,627**	1,302,466	1,552,734
Total assets less current liabilities		**1,796,686**	1,643,893	1,884,121

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 principal office 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 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 2012

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets

In December 2010, the HKICPA amended HKAS 12, "Income taxes", to introduce an exception to the principle for the measurement of deferred taxation assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred taxation relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

2 Basis of preparation (Continued)

(b) Standards, interpretations and amendments effective in 2012 (Continued)

The Group has investment properties measured at their fair values totalling HK$82,270,000 as of 1 January 2012. The Group has adopted the amendment to HKAS 12 for the financial period beginning on 1 January 2012 and has applied the amendment retrospectively by re-measuring the deferred taxation relating to the investment properties according to the tax consequence on the presumption that they are recovered entirely by sale. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarised below:

Effect on consolidated balance sheet

	As at 31 December 2012	As at 31 December 2011	As at 1 January 2011
	HK$'000	*HK$'000*	*HK$'000*
Decrease in deferred taxation liabilities	**(3,183)**	(1,811)	(1,468)
Increase in retained earnings	**3,183**	1,811	1,468

Effect on consolidated income statement

	For the year ended 31 December	
	2012	2011
	HK$'000	*HK$'000*
Decrease in deferred tax expense	**(1,372)**	(343)
Increase in profit attributable to equity holders	**1,372**	343
Increase in basic earnings per share	**HK 0.192 cents**	HK 0.047 cents
Increase in diluted earnings per share	**HK 0.191 cents**	HK 0.047 cents

There are no other amended standards and interpretations that are effective in 2012 which could be expected to have significant effect on the financial information of the Group or result in any significant changes in the Group's significant accounting policies.

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 2012 and have not been early adopted by the Group.

Effective for the year ending 31 December 2013

HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

Effective for the year ending 31 December 2014

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Effective for the year ending 31 December 2015

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures
HKFRS 9	Financial Instruments

The Group is assessing the impact of these new or revised standards and amendments to standards. The adoption of these new or revised 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

	2012	2011
	HK$'000	*HK$'000*
Turnover		
Agency fee	**3,860,234**	3,335,071
Rental from investment properties	**3,149**	2,830
Web advertising	**1,698**	1,810
Internet education and related services	**17,332**	20,338
Immigration consultancy services	**26,062**	36,856
Other services	**2,195**	818
	3,910,670	3,397,723

(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 which mainly include property leasing and immigration consultancy services.

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2012			
	Property agency			
	Residential properties	Commercial and industrial properties and shops	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total revenues	3,120,953	850,255	58,368	4,029,576
Inter-segment revenues	(68,661)	(42,313)	(7,932)	(118,906)
Revenues from external customers	3,052,292	807,942	50,436	3,910,670
Segment results	211,405	183,385	35,167	429,957
Impairment of receivables	69,659	46,916	-	116,575
Depreciation and amortisation costs	41,591	4,803	419	46,813
Share of results of jointly controlled entities	-	-	6,999	6,999
Fair value gain on investment properties	-	-	19,247	19,247
Additions to non-current assets	51,624	7,918	1,134	60,676

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2011			
	Property agency			
	Residential properties	Commercial and industrial properties and shops	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total revenues	2,863,656	510,682	70,584	3,444,922
Inter-segment revenues	(26,607)	(12,660)	(7,932)	(47,199)
Revenues from external customers	2,837,049	498,022	62,652	3,397,723
Segment results	161,363	99,373	39,632	300,368
Impairment of receivables	72,322	28,111	-	100,433
Depreciation and amortisation costs	41,025	4,932	970	46,927
Share of results of				
- jointly controlled entities	-	-	16,595	16,595
- an associated company	-	-	(153)	(153)
Fair value gain on investment properties	-	-	5,810	5,810
Additions to non-current assets	55,764	5,845	402	62,011

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, unrealised gain/loss on financial assets at fair value through profit or loss, realised 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 before taxation is provided as follows:

	2012	2011
	HK$'000	*HK$'000*
Segment results for reportable segments	**429,957**	300,368
Corporate expenses	**(86,111)**	(101,118)
Unrealised gain/(loss) on financial assets at fair value through profit or loss	**25**	(33)
Realised gain on available-for-sale financial assets	**1,937**	542
Finance income	**11,937**	12,527
Finance costs	**(244)**	(229)
Profit before taxation per consolidated income statement	**357,501**	212,057

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. The following is total segment assets and liabilities by reporting segments:

	As at 31 December 2012			
	Property agency			
	Residential properties	**Commercial and industrial properties and shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**1,553,034**	**971,189**	**223,870**	**2,748,093**
Segment assets include: Interests in jointly controlled entities	**-**	**-**	**53,589**	**53,589**
Segment liabilities	**1,222,010**	**378,686**	**22,270**	**1,622,966**

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

	As at 31 December 2011			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	1,221,611	566,007	184,793	1,972,411
Segment assets include:				
Interests in jointly controlled entities	-	-	58,090	58,090
Interests in an associated company	-	-	17	17
Segment liabilities	965,468	126,589	11,250	1,103,307

Reportable segment assets are reconciled to total assets as follows:

	2012 *HK$'000*	2011 *HK$'000*
Segment assets	**2,748,093**	1,972,411
Corporate assets	**700,410**	775,160
Deferred taxation assets	**21,471**	13,793
Financial assets at fair value through profit or loss	**155**	130
Available-for-sale financial assets	**18,706**	15,179
Total assets per consolidated balance sheet	**3,488,835**	2,776,673

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Segment liabilities	**1,622,966**	1,103,307
Corporate liabilities	**69,183**	29,473
Deferred taxation liabilities	**2,417**	889
Total liabilities per consolidated balance sheet	**1,694,566**	1,133,669

4 Other income

	2012	2011
	HK$'000	*HK$'000*
Fair value gain on investment properties	**19,247**	5,810
Gain on disposal of subsidiaries	**-**	703
Realised gain on available-for-sale financial assets	**1,937**	542
Unrealised gain on financial assets at fair value through profit or loss	**25**	-
Others	**2,198**	-
	23,407	7,055

5 Operating profit

Operating profit is arrived at after charging:

	2012	2011
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**4,564**	3,929
Direct operating expenses arising from investment properties that:		
- generated rental income	**281**	264
- did not generate rental income	**130**	140
Unrealised loss on financial assets at fair value through profit or loss	**-**	33
Auditor's remuneration	**4,124**	3,665

6 Finance income and costs

	2012 *HK$'000*	2011 *HK$'000*
Finance income		
Bank interest income	**11,937**	12,527
Finance costs		
Interest on bank loans, overdrafts and others		
Wholly repayable within five years	**(20)**	(1)
Not wholly repayable within five years (*Note*)	**(224)**	(228)
	(244)	(229)
Finance income, net	**11,693**	12,298

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

7 Taxation

	2012 *HK$'000*	2011 *HK$'000* (Restated)
Current		
Hong Kong profits tax	**65,178**	46,895
Overseas	**751**	133
Deferred	**(6,150)**	5,904
	59,779	52,932

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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

	2012	2011
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.1434 (2011: HK$0.2233) per share	**102,968**	160,981
Proposed final dividend of HK$0.10 (2011: Nil) per share	**71,805**	-
Proposed special dividend of nil (2011: HK$0.0834) per share	**-**	59,584
	174,773	220,565

At a board meeting held on 15 March 2013, the directors of the Company (the "Directors") proposed a final dividend of HK$0.10 per share. This proposed final 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 2013.

9 Earnings per share

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

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit attributable to equity holders	**249,826**	133,900
Number of shares for calculation of basic earnings per share (*thousands*)	**716,137**	722,321
Effect on conversion of share options (*thousands*)	**1,394**	-
Number of shares for calculation of diluted earnings per share (*thousands*)	**717,531**	722,321
Basic earnings per share (*HK cents*)	**34.89**	18.54
Diluted earnings per share (*HK cents*)	**34.82**	18.54

9 Earnings per share (Continued)

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

In calculating the diluted earnings per share, the 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 2011 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:

	2012	2011
	HK$'000	*HK$'000*
Not yet due	**1,337,933**	793,157
Less than 30 days	**100,082**	35,934
31 to 60 days	**33,581**	30,139
61 to 90 days	**23,840**	25,011
Over 90 days	**34,286**	23,826
	1,529,722	908,067

11 Trade and other payables

Trade payables and 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$194,320,000 (2011: HK$85,033,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2012, turnover of the Group amounted to HK$3,910,670,000, representing an increase of 15% compared with that of 2011. Profit attributable to equity holders for the year rose by 87% to HK$249,826,000. Despite the volatile property market and increase in operating costs, the Group recorded growth in profit in 2012. This was attributable to the solidarity of the management and staff of the Group.

Real estate polices affected the development of property market and the Group's results

In 2012, the number and value of the agreements for sale and purchase registered with the Land Registry recorded a 6% and 11% year-on-year growth respectively. During the same period, the Group's agency fee income also increased by 16%, which was in line with the market performance.

In 2012, there was growth in property transaction volume, although the market activity fluctuated. For instance, the number of the agreements for sale and purchase registered with the Land Registry in January and February 2012 reached a low level of approximately 4,490 and 5,425 respectively. However, the number in March and April increased sharply to around 14,306 and 10,728 respectively.

In fact, residential property transactions had, to a certain extent, been affected by the Special Stamp Duty ("SSD") introduced by the government in late 2010. The impact on the volume of residential property transactions became more significant after the introduction of the Buyer's Stamp Duty ("BSD") and enhanced SSD in October 2012. Last year, the overall performance of the residential property market was relatively lacklustre. The performance of the luxurious property market was not satisfactory either. The performance of the non-residential (industrial and commercial properties and shops) ("non-residential") property market was significantly better than that of the residential property market since SSD had come into effect. According to the figures from the Land Registry, the value of the agreements for sale and purchase of non-residential property registered with the Land Registry in 2012 had reached a record-high level, whereas the value of the agreements for sale and purchase of residential property registered with the Land Registry in 2012 had only slightly increased compared with that of 2011.

The Group's results broadly reflected the above market phenomena. Midland IC&I Limited, the listed subsidiary of the Company, in which the Company is interested in approximately 70.8% of its issued share capital, achieved record-high profit in 2012 and its contribution to the profit of the Group had increased significantly.

Regarding the business and operation in Mainland China ("Mainland"), improvements could be seen gradually following our earlier adjustment in strategies. The Group has been proactively strengthening the management of Mainland operations and intensifying the focus strategies since 2011. The resources of the Group's Mainland business had been allocated to Southern China, particularly Shenzhen. Since the second half of 2011, the business and operation in Mainland had been changed from contraction to expansion in order to seize market opportunities.

Increasing costs and fierce competition

Despite fluctuations in the trend of the number of the agreements for sale and purchase of residential property registered with the Land Registry, competitive environment becomes more fierce. The number of "statements of particulars of business" (SPoB) which reflects the number of branches within the industry slightly decreased by 0.6% in the first half of the year, but then picked up by around 3.8% in the second half of the year, reaching an all-time high. The number of individual licences as at the end of last year exceeded 36,000, which was also record-high. Although the percentage growth in the number of individual licences last year was the lowest since 2007, the competitive environment had worsened as there was no remarkable increase in the number of residential property transactions.

Amid such competitive environment, the Group continued to adopt diversified marketing strategies to seize market opportunities in an effort to increase market share. Apart from opening branches strategically, the Group also organized a number of seminars such as the "Celebration of the 15th Anniversary of the Handover". In the second half of the year, the Group had strengthened promotions under the theme of "Striding towards Golden 40th Anniversary" in order to reinforce relationship with the clients.

In addition, the Group still faced the pressure of increasing operating costs. Last year, the rental expense increased by 18%, pushing up the operating costs of the Group and in turn lowered the profits. Last year, the Group introduced a number of business improvement initiatives to optimize management, such as a new commission scheme, with a view to boost staff morale, thereby driving the Group to deliver solid performance during difficult times for the industry.

Outlook

The Group holds a cautious view on the market outlook in 2013. From a macroeconomic perspective, there are signs of recovery in global economy. The US economy is on the mend, and the European debt crisis has stabilized gradually. In the fourth quarter last year, the GDP growth of Mainland reversed the downward trend in the previous six quarters. It is expected that Mainland economy will improve steadily. Nevertheless, the global economic recovery is still in its early stage, and its overall strength and sustainability remain uncertain.

In the past few years, the environment of ample capital due to the quantitative easing policy around the globe has not changed, and this will continue to support the economy this year. The US rate hike is expected to occur in or after 2014. As such, it is believed that the Hong Kong economy in 2013 can still benefit from the positive factor of low interest rate environment. Nevertheless, the looming rate hike, coupled with the acceleration of global economic recovery may change the expectations on the trend of interest rate. If the market has growing concern on rate hike, it may hinder the development of the market.

The local economy is expected to fare well in 2013. During the Lunar New Year, Mainland tourists' arrivals in Hong Kong increased by 27% compared with that of last year, reaching a record-high level, while there was no expansion in the number of Mainland cities implementing the Individual Visit Scheme. Mainland tourists will undoubtedly continue to drive the retail and tourism sectors and add momentum to the growth of local economy. In the recent Budget, the government proposed expansion plans for Ocean Park and Disneyland, it is believed that this will help to strengthen the local tourism sector. In addition, offshore Renminbi business and measures favorable to the development of the financial sector should, to a certain extent, provide support to the Hong Kong economy.

A more volatile property market

Government intervention measures on the property market have become more frequent and fierce so the property market is expected to be more volatile in 2013 than 2012. It is understandable that the government needs to introduce additional measures to suppress the property market in view of the continuous rise in property prices in the past few years. Under the impact of suppressing demand measures, transaction volume for the second-hand property market will hardly return to normal level within a short period of time. With the launch of the SSD and BSD measures earlier, there are signs of remarkable drop in demand from the speculators and Mainland investors for purchasing Hong Kong properties. Also, the adjustment of Ad Valorem Stamp Duty ("AVD") rates in February 2013 may affect local buyers with genuine residential needs to purchase properties in Hong Kong.

Regarding the first-hand property market, since the Government has started to increase land supply 2 years ago and abolished the Land Application List System in February 2013, the future supply of first-hand properties is expected to increase steadily. Expectedly, the first-hand property market is likely to gain around from the second-hand property market. However, as the government may continue to launch further measures to intervene the property market and some leading developers have already adjusted their property sales targets downward, it is possible that the developers' pace of launching sale of first-hand properties may slow down. With the uncertainties about the government policies, the Group expects a price volatility of 5% to 10% and potential downward pressure on property prices this year. Nevertheless, the foundation of Hong Kong property market is still solid. It is particularly noteworthy that the integration between Hong Kong and Mainland has entered into a new phase. For example, some Mainland enterprises have acquired business in Hong Kong in recent years, and sizable Mainland property developers have acquired land in Hong Kong and participated in real estate development. This emerging trend is favourable to the growth of the Hong Kong economy as well as the property market.

Enhanced co-operation to capture opportunities

In the past 2 years, the Group constantly reviewed the network of branches and actively planning for expansion. In view of the active local non-residential property sector, the co-operation between the residential property division and the non-residential property division of the Group has been enhanced so as to broaden the sources of income. The participation of the residential division of the Group in the sale of non-residential property projects such as "t.mark" and "The Capital" has produced desirable results. Although the new arrangement on AVD has, to a certain extent, affected the non-residential property sector, this sector still appears attractive to investors due to the lack of investment outlets for capital. In 2013, the Group will continue to bring the strength of its comprehensive platform into full play, to steer a course of steady growth and to increase its market share.

Brand new image for the 40th anniversary

To mark the 40th anniversary of Midland Realty, the Group has promoted its business with a brand new image and launched a new TV commercial which has been well received by the public. With a comprehensive promotional campaign and through building up the image of a young, dynamic and accommodating "Super Agent", the Midland spirit of offering "prompt, precise, sincere, caring and professional" services has been intensified. By doing so, there will be more recognition from customers, which will in turn bring more business opportunities to the Group and increase its market share.

Undaunted by challenges, positively moving forward

The principal subsidiary of the Group, Midland Realty, was founded in the real estate agency industry in Hong Kong for nearly 40 years. The management has experienced the ups and downs of the Hong Kong economy and property market. Government intervention, instability of the external economic environment, coupled with rising operating costs and intensified competitions are the difficulties that have been tackled in the past. Therefore, the Board and I are confident that, together with around 10,000 staff of the Group, we can overcome the challenges ahead, strike a balance between the two guiding principles of costs control and seizing market share and add value to our shareholders.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding

As at 31 December 2012, the Group had cash and bank balances of HK$1,289,966,000 (2011: HK$1,249,009,000), whilst bank loan amounted to HK$10,926,000 (2011: HK$11,800,000). The Group's bank loan was secured by certain land and buildings and investment property held by the Group of HK$25,607,000 (2011: HK$26,339,000) and HK$1,070,000 (2011: HK$840,000) respectively and with maturity profile set out as follows:

Repayable	**2012** **HK$'000**	2011 HK$'000
Within 1 year	**893**	871
After 1 year but within 2 years	**910**	889
After 2 years but within 5 years	**2,838**	2,775
Over 5 years	**6,285**	7,265
	10,926	11,800

Note: The 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.

As at 31 December 2012, the Group had unutilised banking facilities amounting to HK$184,221,000 (2011: HK$166,433,000) 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 loan is 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 2012, the gearing ratio of the Group was 0.61% (2011: 0.72%). The gearing ratio is calculated on the basis of total bank loans over 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 1.8 (2011: 2.1).

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 2012, the Company had repurchased 1,650,000 of its own shares on the Stock Exchange at an aggregate consideration of approximately HK$6.7 million, details of which are outlined in the section headed "Purchase, Sale or Redemption of the Company's Listed Securities".

In July and August 2012, share options were exercised to subscribe for 3,604,580 ordinary shares in the Company at an aggregate consideration of approximately HK$13.7 million.

Save as disclosed above, there was no material change in the Company's capital structure during the year. 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 of the Company.

Employee Information

As at 31 December 2012, the Group employed 9,291 full time employees (2011 : 7,530) of which 8,110 were sales agents, 561 were back office supportive employees and 620 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 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.

DIVIDENDS

The Directors proposed a final dividend of HK$0.10 per ordinary share for the year ended 31 December 2012 (2011: special dividend of HK$0.0834 per ordinary share) to shareholders whose names appear on the register of members of the Company on Monday, 27 May 2013. Taking into account of the interim dividend payment, the total dividend for the year would amount to HK$0.2434 per ordinary share, totalling HK$174,773,000 for the year (2011: HK$0.3067 per ordinary share, totalling HK$220,565,000), representing a decrease of approximately 21% compared with last year. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 16 May 2013 (the "AGM"), the final dividend will be paid on or around Friday, 31 May 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 13 May 2013 to Thursday, 16 May 2013, both days inclusive, during which period no transfer of shares will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 May 2013.

The proposed final dividend is subject to the approval of the shareholders at the AGM. The record date for the proposed final dividend is at the close of business on Monday, 27 May 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Monday, 27 May 2013, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 24 May 2013.

CORPORATE GOVERNANCE

The Company has complied with the requirements of all the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the year ended 31 December 2012, except for the deviations as explained below:

1. The roles of chairman and chief executive of the Company were not separate under the requirement of code provision A.2.1 of the CG Code. Subsequent to the re-designation of Mr. WONG Kin Yip, Freddie ("Mr. WONG") as Chairman of the Company and the appointment of Mr. WONG Tsz Wa, Pierre ("Mr. Pierre WONG") as Managing Director of the Company with effect from 23 November 2012, the roles of chairman and managing director of the Company have been separated.

   Mr. WONG is the Chairman of the Company and is also the founder of the Group. Mr. WONG oversees the overall corporate directions and corporate strategies of the Group and guides the management team.

   Mr. Pierre WONG is the Managing Director and Ms. WONG Ching Yi, Angela is the Deputy Managing Director of the Company. The Managing Director of the Company carries out the function of chief executive of the Company and is responsible for formulating the corporate and business strategies and development, and the implementation of strategies and policies to achieving the overall objectives of the Group. The Managing Director shall report directly to the Board. 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.

2. Mr. KOO Fook Sun, Louis, being the Independent Non-executive Director and Chairman of Audit Committee, was unable to attend the annual general meeting of the Company held on 25 May 2012 as provided for in code provisions A.6.7 and E.1.2 of the CG Code as he had other business engagement.

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 2012.

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

During the year ended 31 December 2012, the Company repurchased a total of 1,650,000 ordinary shares of HK$0.10 each of the Company at an aggregate consideration of approximately HK$6.7 million on the Stock Exchange. Details of the repurchases were as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchase price per Share Highest *HK$*	Purchase price per Share Lowest *HK$*	Aggregate consideration *HK$*
January 2012	1,650,000	4.09	4.00	6,684,340
		Total expenses on shares repurchased		32,788
				6,717,128

All the repurchased ordinary shares were cancelled during the year ended 31 December 2012. The issued share capital of the Company was accordingly reduced by the nominal value of the repurchased ordinary shares so cancelled. The repurchases were effected by the Board pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net asset value and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2012. The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2012 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 2012 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 2012 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

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

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

Hong Kong, 15 March 2013

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