



MIDLAND HOLDINGS LIMITED

美聯集團有限公司*

(Incorporated in Bermuda with limited liability)

Website : www.midland.com.hk

(Stock Code : 1200)

ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2006

The board of directors (the “Directors” or the “Board”) of Midland Holdings Limited (the “Company” or “Midland”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December 2006 (the “Year”) together with comparative figures for the previous year as follows:-

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	Note	2006 HK\$'000	2005 HK\$'000
Turnover	2	1,972,124	2,332,004
Other revenues	2	42,534	37,464
Total revenues		<u>2,014,658</u>	<u>2,369,468</u>
Other income, net	3	40,052	16,844
Staff costs		(1,085,435)	(1,280,523)
Depreciation and amortisation costs		(63,863)	(59,828)
Other operating costs	4	(732,276)	(805,689)
Operating profit		<u>173,136</u>	<u>240,272</u>
Finance costs	5	(3,739)	(2,636)
Share of profits less losses of jointly controlled entities		<u>7,989</u>	<u>5,868</u>
Profit before income tax		<u>177,386</u>	<u>243,504</u>
Income tax expenses	6	(33,118)	(34,676)
Profit for the year		<u><u>144,268</u></u>	<u><u>208,828</u></u>
Attributable to:			
Equity holders		149,940	213,626
Minority interests		(5,672)	(4,798)
		<u><u>144,268</u></u>	<u><u>208,828</u></u>

* For identification purpose only

Earnings per share

Basic	7	HK\$20.4 cents	HK\$29.2 cents
Diluted	7	HK\$20.4 cents	HK\$29.2 cents
Dividends	8	<u>73,308</u>	<u>86,038</u>

**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2006**

	Note	2006 HK\$'000	2005 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		77,805	119,813
Investment properties		27,548	99,670
Leasehold land and land use rights		106,346	123,482
Intangible assets		36,689	46,584
Interests in jointly controlled entities		11,716	14,700
Available-for-sale financial assets		49,583	34,286
Held-to-maturity investments		11,044	11,038
Financial assets at fair value through profit or loss		31,804	22,359
Deferred tax assets		18,434	20,904
		<u>370,969</u>	<u>492,836</u>
		-----	-----
Current assets			
Trade receivable	9	860,483	816,186
Other receivables, prepayments and deposits		146,166	144,134
Financial assets at fair value through profit or loss		19,984	17,294
Current tax assets		1,790	-
Cash and bank balances		529,824	376,702
		<u>1,558,247</u>	<u>1,354,316</u>
		-----	-----
Total assets		<u><u>1,929,216</u></u>	<u><u>1,847,152</u></u>
EQUITY			
Equity holders			
Share capital		73,245	73,466
Share premium		273,062	281,212
Other reserves		729,678	634,905
Proposed dividend		52,737	11,755
		<u>1,128,722</u>	<u>1,001,338</u>
Minority interests		<u>65,697</u>	<u>71,049</u>
Total equity		<u><u>1,194,419</u></u>	<u><u>1,072,387</u></u>
		-----	-----
LIABILITIES			
Non-current liabilities			
Borrowings		10,665	48,508
Deferred tax liabilities		750	1,992
		<u>11,415</u>	<u>50,500</u>
		-----	-----
Current liabilities			
Trade payable	10	393,960	377,255
Other payables and accrued charges		327,644	308,103
Borrowings		1,778	32,160
Current tax liabilities		-	6,747
		<u>723,382</u>	<u>724,265</u>
		-----	-----

Total liabilities	734,797	774,765
	<u>-----</u>	<u>-----</u>
Total equity and liabilities	1,929,216	1,847,152
	<u>=====</u>	<u>=====</u>
Net current assets	834,865	630,051
	<u>=====</u>	<u>=====</u>
Total assets less current liabilities	1,205,834	1,122,887
	<u>=====</u>	<u>=====</u>

Note:

1. Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

In 2006, the Group adopted the new amendments and interpretations of HKFRS and Hong Kong Accounting Standards (“HKAS”) below, which are relevant to its operations.

HKAS 21 Amendment	New Investment in a Foreign Operation
HKAS 39 and IFRS 4 Amendment	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of these amendments and interpretations does not result in any change to the accounting policies of the Group.

Certain new standards, amendments and interpretations to the published standards that are relevant for the Group’s operations and mandatory for accounting period beginning on or after 1st May 2006 or later periods that the Group has not early adopted, are as follows:

- (i) HKFRS 7, “Financial Instruments: Disclosures” and HKAS 1, “Presentation of Financial Statements – Capital Disclosures” require additional disclosures relating to sensitivity analysis to market risk and capital disclosures.
- (ii) HK(IFRIC)-Int 8, “Scope of HKFRS 2” requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued, to establish whether or not they fall within the scope of HKFRS 2.
- (iii) HK(IFRIC)-Int 10, “Interim Financial Reporting and Impairment” prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

The Group will apply the above for its financial period commencing on 1st January 2007, but it is not expected to have any significant impact on the financial position of the Group.

2. Turnover, revenues and segment information

(a) Turnover and other revenues

	2006 HK\$'000	2005 HK\$'000
Turnover		
Agency fee revenue	1,972,124	2,332,004
	-----	-----
Other revenues		
Gross rental income from investment properties	2,606	5,243
Web advertising income	5,573	5,746
Internet education services income	27,124	22,791
Other services income	7,231	3,684
	-----	-----
	42,534	37,464
	-----	-----
Total revenues	<u><u>2,014,658</u></u>	<u><u>2,369,468</u></u>

(b) Segment information

The Group is organised into four main business segments including residential property brokerage, industrial and commercial property brokerage, property leasing and internet education services. Other operations of the Group mainly comprise web advertising services, advertising services and valuation services.

For the year ended 31st December 2006

	Residential property brokerage HK\$'000	Industrial and ommercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Inter- segment elimination and unallocated HK\$'000	Total HK\$'000
Turnover							
External sales	1,677,067	295,057	-	-	-	-	1,972,124
Other revenues							
External sales	-	-	2,606	27,124	12,804	-	42,534
Inter-segment sales	-	-	10,090	-	3,948	(14,038)	-
Segment revenues	<u>1,677,067</u>	<u>295,057</u>	<u>12,696</u>	<u>27,124</u>	<u>16,752</u>	<u>(14,038)</u>	<u>2,014,658</u>
Segment results	<u>73,749</u>	<u>64,043</u>	<u>15,430</u>	<u>(15,778)</u>	<u>5,780</u>	<u>43,444</u>	<u>186,668</u>
Unallocated income							16,092
Unallocated costs							<u>(43,285)</u>
Operating profit before interest income and finance costs							159,475
Net finance income							9,922
Share of profits less losses of jointly controlled entities	(177)	-	-	-	8,166	-	<u>7,989</u>
Profit before income tax							177,386
Income tax expenses							<u>(33,118)</u>
Profit for the year							<u>144,268</u>

	Residential property brokerage HK\$'000	Industrial and ommercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Inter- segment elimination and unallocated HK\$'000	Total HK\$'000
Segment assets	1,013,233	117,409	103,513	153,126	22,033	-	1,409,314
Interests in jointly controlled entities	385	-	-	-	11,331	-	11,716
Unallocated assets							508,186
Total assets							1,929,216
Segment liabilities	601,037	67,218	1,026	6,264	8,095	-	683,640
Unallocated liabilities							51,157
Total liabilities							734,797
Capital expenditure	13,852	1,168	5,752	762	55	7	21,596
Depreciation	45,474	4,524	183	959	423	155	51,718
Amortisation	-	-	1,812	9,895	-	438	12,145
Other non-cash expenses/(income)	45,750	12,752	(6,913)	(77)	74	-	51,586

For the year ended 31st December 2005

	Residential property brokerage HK\$'000	Industrial and ommercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Inter- segment elimination and unallocated HK\$'000	Total HK\$'000
Turnover							
External sales	2,053,191	278,813	-	-	-	-	2,332,004
Other revenues							
External sales	-	-	5,243	22,791	9,430	-	37,464
Inter-segment sales	-	-	8,954	-	3,749	(12,703)	-
Segment revenues	<u>2,053,191</u>	<u>278,813</u>	<u>14,197</u>	<u>22,791</u>	<u>13,179</u>	<u>(12,703)</u>	<u>2,369,468</u>
Segment results	<u>168,468</u>	<u>47,770</u>	<u>21,224</u>	<u>(15,258)</u>	<u>5,128</u>	<u>73,695</u>	<u>301,027</u>
Unallocated costs							<u>(70,281)</u>
Operating profit before interest income and finance costs							230,746
Net finance income							6,890
Share of profits less losses of jointly controlled entities	(253)	-	-	-	6,121	-	<u>5,868</u>
Profit before income tax							243,504
Income tax expenses							<u>(34,676)</u>
Profit for the year							<u>208,828</u>

	Residential property brokerage HK\$'000	Industrial and ommercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Inter- segment elimination and unallocated HK\$'000	Total HK\$'000
Segment assets	1,007,530	102,316	193,722	161,817	13,574	-	1,478,959
Interests in jointly controlled entities	535	-	-	-	14,165	-	14,700
Unallocated assets							342,181
Total assets							1,835,840
Segment liabilities	587,468	60,486	2,043	5,736	5,763	-	661,496
Unallocated liabilities							101,957
Total liabilities							763,453
Capital expenditure	82,331	5,962	67,235	62,145	308	-	217,981
Depreciation	44,546	3,227	160	707	113	128	48,881
Amortisation	-	-	3,162	7,415	-	370	10,947
Impairment charges	-	-	-	5,410	5,789	-	11,199
Other non-cash expenses/(income)	94,398	23,563	(10,843)	103	239	-	107,460

No analysis of the Group's segment information by geographical segments is presented as no activities and operations of an internally reported geographical segment attributable to markets outside Hong Kong is more than 10% of the Group's activities and operation.

3. Other income, net

	2006 HK\$'000	2005 HK\$'000
Realised and unrealised gains on financial assets at fair value through profit or loss	15,930	193
Impairment on available-for-sale financial assets	-	(5,789)
Bank interest income	13,661	9,526
Dividend income from listed investments	3,109	2,071
Change in fair value of investment properties	6,913	10,843
Gain on disposal of jointly controlled entity	58	-
Gain on disposal of a subsidiary	381	-
	<u>40,052</u>	<u>16,844</u>

4. Other operating costs

Other operating costs include the following charges:

	2006 HK\$'000	2005 HK\$'000
Impairment of goodwill	-	5,410
Loss on disposal of investment properties	518	-
Loss on disposal of leasehold land, property, plant and equipment	4,996	1,013
	<u>4,996</u>	<u>1,013</u>

5. Finance costs

	2006 HK\$'000	2005 HK\$'000
Interest on securities margin financing	1,643	-
	-----	-----
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,445	586
Not wholly repayable within five years	651	2,050
	<u>2,096</u>	<u>2,636</u>
	-----	-----
	<u>3,739</u>	<u>2,636</u>

6. Income tax expenses

	2006 HK\$'000	2005 HK\$'000
Current tax		
Hong Kong profits tax	32,256	47,140
Overseas taxation	329	396
Over provision in prior years	(695)	(1,954)
Deferred tax	1,228	(10,906)
	<u>33,118</u>	<u>34,676</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) 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.

7. Earnings per share

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 as follows:

	2006	2005
Profit attributable to equity holders of the Company (HK\$'000)	<u>149,940</u>	<u>213,626</u>
Weighted average number of shares in issue (thousands)	<u>734,339</u>	<u>731,545</u>
Basic earnings per share (HK cents per share)	<u>20.4</u>	<u>29.2</u>

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares arising from exercising the share options which is calculated by determining the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2006	2005
Profit attributable to equity holders of the Company (HK\$'000)	149,940	213,626
Weighted average number of shares in issue (thousands)	734,339	731,545
Adjustments for share options (thousands)	218	50
Weighted average number of ordinary shares for diluted earnings per share (thousands)	734,557	731,595
Diluted earnings per share (HK cents per share)	20.4	29.2

8. Dividends

	2006 HK\$'000	2005 HK\$'000
Interim paid of HK\$0.028 (2005: HK\$0.10) per share	20,571	74,283
Proposed final of HK\$0.072 (2005: HK\$0.016) per share	52,737	11,755
	73,308	86,038

At a Board meeting held on 12th March 2007, the Directors proposed a final dividend of HK\$0.072 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 31st December 2007.

9. Trade receivable

The trade receivable represents principally agency fee receivable from customers whereby no general credit facilities is available. The customers are obliged to settle the amounts upon the completion of the relevant agreements. The aging analysis of the Group's trade receivable was set out as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Not yet due	762,661	742,547
Within 30 days	32,588	24,237
31-60 days	22,318	11,678
61-90 days	14,366	11,540
Over 90 days	28,550	26,184
	<u>860,483</u>	<u>816,186</u>

10. Trade payable

The trade payable represents principally the commissions payable to property consultants and cooperative estate agents, and are due for payment only upon the receipt of corresponding agency fees from customers. The trade payable included HK\$45,599,990 (2005: HK\$48,814,407) commissions payable which were due for payment within 30 days, with the remaining trade payable not yet due.

BUSINESS REVIEW

In the year 2006, the Group (HK 1200) is pleased to report earnings of HK\$149.9 million, of which 78.7 per cent was attributable to the second half. Net profit reached HK\$118 million in the second half, vastly improved from the loss of HK\$20.4 million sustained in the same period in 2005. The Group's strategy of continual upgrade apparently worked. Operational efficiency also improved.

Rate Uncertainty a Drag on the Market

Dogged by uncertainty over the interest rate trend, Hong Kong's overall property market performed below expectation last year. Both the volume and value of sales transactions* dropped below the 2005 levels, marking the worst year since 2003. The luxury property segment was an exception, however. Luxury homebuyers closed a number of properties at record high prices. This further bore out how lending rate uncertainty was more of a dampener on the more budget-conscious homebuyers, crimping transactions of small to mid-sized flats.

Following a first half that saw home sales slackening in the primary market, developers turned aggressive, launching projects one after another in the second half. From the third quarter onwards, a number of residential developments launched at near market prices enjoyed crisp sales. Developers who offered discounts to boost sales of new units also pulled off satisfactory results. New home sales in the second half notably exceeded the first half level, reflecting sound fundamentals that nurtured a gradual recovery since 2003 and primed the market for further rebound in both volume and value.

China-Hong Kong-Macau Sales Network Reinforced

As the US interest rate trend became clearer in August 2006, the Hong Kong property scene saw a surge in activities and prices. When the market was undergoing consolidation, the Group made considerable efforts to improve the cost structure and control overheads. Subsequently in the second half, the Group attained a reduction in advertising expenses of 38%. In the past year, the Group was cautious in the expansion of branches. Take Macau, for instance. Despite booming home sales in that market in the last quarter, the Group did not rely solely on branch expansion to cope with the market. Instead, it strengthened cross-border collaboration between the Hong Kong and Macau salesforces to market Macau properties. The cross-border strategy proved successful. Buyers introduced by the Hong Kong branches actually took up quite a few of the units sold in Macau.

In the mainland market, the Group operates under both Midland China and HKP Estate Agency. In pace with increasing its presence last year, the Group logged a rise in revenue from the mainland in 2006. In terms of its branch network, the Group recorded the highest growth rate among established real estate agencies in the mainland.

**Exclude some transactions in the first half involving real estate investment trusts (REITs)*

Synergy of Value-added Businesses Enhanced

While the Group remained totally committed to its core business of real estate brokerage, it also steadfastly expanded various potentially appealing value-added businesses. One such business is mReferral, which provides consumers free access to mortgage referral and mortgage news. Midland Wealth Management, meanwhile, collaborated with strategic partners to offer customers a comprehensive range of wealth management services. Midland Immigration Consultancy and Midland Surveyors continued to provide professional and reliable advisory services. Strategic partnership and synergy resulting from the workings of these business units have had the effect of broadening the Group's potential clientele, and in some cases, helped in deal making. Driving common initiatives across the Group will accelerate growth and satisfy customers.

Strengthen Training with Focus on Integrity and Professionalism

Always mindful of the importance of training, the Group continued to devote itself to diversified development of human resources. In line with the Estate Agency Authority's Continuing Professional Development (CPD) scheme, the Group's Midland University designed and launched 31 accredited courses, ranking it among organizations being one of the top program providers. Nearly 400 front-line staff members voluntarily completed training for the required number of 10 CPD points each within the designated period. Some even received citations for excellence in CPD courses.

Over the years, real estate brokerage in Hong Kong has evolved into a profession requiring expertise and certain standards to be met. The Group will continue to strengthen professional training and instill among its agents a greater sense of integrity and other values, while encouraging them to continue education to increase their own worth and sharpen their competitive edge.

Corporate Responsibility Reinforced

For the fourth consecutive year in 2006, the Group received accolade as a Caring Company from the Hong Kong Council of Social Services, once again reflecting public recognition of the Group's contribution to the community and willingness to help the underprivileged. Through the Midland Charitable Foundation and the Midland Volunteers Team, the Group participated in various community affairs to aid different needy segments. In the name of Midland Charitable Foundation,, the Group once again sponsored the summer holidays reading program organized by the Boys' and Girls' Clubs Association of Hong Kong. Designed to encourage reading among youth, the program offered books of their choice to 150 children. It further organized a trip to Beijing for underprivileged youth to stimulate cultural exchange and to broaden perspectives.

For the third year in a row, the Group ranked third as having raised the most funds among businesses for the Orbis Flying Eye Hospital at the Orbis Pin Day Appeal. During the year, through participation in Ronald McDonald House's Home activities, the Midland Charitable Foundation also raised funds to help chronically ill children lead a normal daily life. In sponsoring certain community activities, the Group was able to encourage healthy living among its own staff as well. At the Soccer King Charity Cup organized by Metro Radio, the Group's team won two trophies – as first runner-up and the team with the “best defense.”

Meanwhile, our Midland Volunteer Team was active in other affairs, including the Community Chest's Dress Special Day, Skip Lunch Day, and visits to "home-alone" old people and to children's homes.

OUTLOOK

Further testifying to Hong Kong's status as a capital-raising centre, more mainland Chinese companies are likely to seek listings on the stock market here in 2007. Meanwhile, multinational corporations expanding here also will help improve the employment market. Hong Kong's economy is still on an upswing. As individual income rises, so does consumption power. It follows that the property market will strengthen as well. In the fourth quarter of 2006, we already saw how the luxury sector lead the rally. At the start of 2007, the secondary market also turned active, as evidenced in a transaction volume increase of flats in major residential estates. Three-bedroom units especially have been most sought after, indicating that as the economy improves, consumers also express a greater desire to upgrade their living conditions, notably by seeking more spacious accommodations.

Demand Potential Accumulating

However, rising income levels are likely to throw a wet towel over sales of Home Ownership Scheme units, which resumed early in the year. A considerable amount of quality properties still are available at reasonable prices in the private sector, especially in the secondary market. Moreover, rental rates are on a gentle uptrend. Hence, the rally spearheaded by the luxury sector last year is likely to spread to the small to mid-sized mass residential sector and give the overall market a bull run in 2007.

According to the "Hong Kong 2006 Population By-census Summary Results," the population growth has been slowing in the Special Administrative Region over the past decade, with growth of a mere seven per cent to around 6.86 million. On the other hand, a change in the population matrix itself is likely to benefit the property market. Census data indicate that the number of households has expanded from around 1.86 million in 1996 to 2.23 million last year, a climb of 20 per cent. Reflecting the trend towards smaller households, the average number of persons in each family dropped from 3.3 to only three in the same period. This has had the effect of driving housing demand. Although the average household is downsizing, a rising number of consumers have been looking for more living space. As a result, the average number of partitioned rooms of each household (living area and bedrooms inclusive) edged up from 3.15 in 2001 to 3.22 in 2006.

The potential to upgrade living quarters also has been accumulating. Statistics indicate that some 613,000 households were no longer under the burden of mortgage or related loans in 2006, up 20 per cent from only 505,000 households in 2001.

Negative Interest Rates to Divert Funds to Property

This is the 10th anniversary of Hong Kong's handover to The People's Republic of China. On 6 February, the Group celebrated this occasion in advance at the Hong Kong Property Agents' Award Ceremony alongside developers and toasted in a year of total property market recovery. We are of the opinion that with transaction volume and value both firming, the desire to buy properties will rise correspondingly.

Hong Kong's housing market is driven mainly by internal forces. It is only when confidence to make long-term investment re-emerges that the desire to buy properties will follow and provide the market with a stable growth environment. In terms of basic factors, the market has never had it better in 10 years. We believe that favorable conditions will remain, namely, rising salaries, low affordability ratio and softening interest rates. Hong Kong is entering an inflationary period. If interest rates come down further within the year, deposit rates at banks are unlikely to catch up with inflation. In case the negative interest rate scenario arises, investors are likely to channel a certain amount of funds into the property market and lift transaction volume.

Given that financial markets worldwide are coming under increasing volatility this year, the property market is likely to be a harbour for investors seeking to diversify risks. The prolonged weakness of the US dollar, meanwhile, also has the effect of making the property in Hong Kong more attractive. Liberalization of the Renminbi is likely to take some time. Given that foreign exchange risk is manageable, some funds are likely to seek opportunity in the local property market.

Sizing of Branch Networks to be Kept Flexible

Despite the bright outlook on the market, the Group will upgrade continually to improve operational efficiency. As the branch expansion among real estate agencies turned moderate, the number of local branches within the Group has settled at a manageable level. To meet changing external conditions, the Group will deploy branch resources on a discretionary basis instead of rushing to open or close outlets.

Regarding the branch network development outside Hong Kong, Mainland China will remain the focus. In fact, mainland branches under the Midland Realty label surged from 22 in 2003 to 121 by the end of 2005. Last year, Midland China devoted more attention to raising operational efficiency, with noticeable effect. Business improvement at the Shenzhen division was most significant. This year, the Group looks forward to replicating Shenzhen's efficiency-raising experience in other cities in China. Certainly, competition is severe in the mainland market. We shall strengthen further our presence in various regions to sharpen our competitive advantage and build a solid reputation in China.

The Group's other line in Shenzhen – HKP Estate Agency – also enjoyed marked improvement in the bottom line. It is our belief that by operating under two brands on the mainland, not only may we gain a larger market share but also to be able to complement fully one brand name with the other to compete better. Recognizing that the mainland market poses a certain amount of risks despite its growth potentials, we shall continue to exercise prudence to build the business on solid foundation.

Industry Intelligence to Stretch Marketing Dollar

In the past few years, the Group has been diversifying marketing channels actively. Since December 2005, we have been working with Bloomberg to provide Hong Kong property market intelligence to professional investors worldwide, using the 729 Property Intelligence. During the year, the Group also worked with Focus Media Hong Kong to launch a breakthrough platform whereby potential customers may obtain the latest transaction data and market news via a dedicated TV channel at various branches throughout the network. Aside from market news (including the 729 property programs), viewers are able to obtain related

information and commercial messages, thus getting added-value when seeking services to view or buy or sell a home.

Last year, the Group further enhanced the capacity and content of its website, enabling browsers, for instance, to look up 10-year-old transaction records. Moreover, video clips featuring listings in both the primary and secondary market are posted on 729's Web TV for viewing. The program is a hit with consumers. Providing up-to-date and credible market intelligence will remain a Group priority. At the same time, we shall cultivate more channels of marketing and communication to close the gap with customers, with the ultimate objective of enhancing promotional efficiency.

Conclusion

For the property market in general, favourable factors outweigh unfavourable ones in 2007, compared to the year before. Against this backdrop is the fact that the market had started to recover since the third quarter of 2006 after the consolidation from the second half of 2005. Our outlook for the year is optimistic, provided that external economic factors remain stable, internal growth momentum is maintained and both salary costs and rental expenses climb less dramatically.

On behalf of the Board of Directors, let me take these pages to express my heart-felt gratitude to all staff members for their dedication, perseverance, and especially their enthusiasm and sincerity in serving customers. I strongly believe that they will continue to do their best to meet the commitment of raising shareholder value.

FINANCIAL REVIEW

Liquidity, financial resources and funding

As at 31st December 2006, the Group had bank balances and cash of HK\$529,824,000, whilst a bank loan amounted to HK\$12,443,000. The Group's bank loan was secured by a property held by the Group with a total net book value of HK\$26,813,000 and with maturity profile set out as follows:

<u>Repayable</u>	<u>HK\$'000</u>
Within 1 year	1,778
After 1 year but within 2 years	1,778
After 2 years but within 5 years	5,336
Over 5 years	3,551

The Group had unutilised banking facilities amounting to HK\$197,896,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollar, United States Dollar, Renminbi and Macau Pataca, and the Group's borrowings are in Hong Kong Dollar. Therefore the Directors consider the Group has no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31st December 2006, the gearing ratio of the Group was 1%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

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.

Contingent liabilities

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

FINAL DIVIDEND

The Directors proposed a final dividend of HK\$0.072 per share for the Year (2005: HK\$0.016 per share) to shareholders whose names appear on the register of members of the Company on 23rd April 2007. The dividend will be paid on or before 3rd May 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17th April 2007 to 23rd April 2007, both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 2006 final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Register, Abacus Share Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 16th April 2007.

HUMAN RESOURCES

As at 31st December 2006, the Group employed 6,085 full time employees of which 5,224 were sales agents and 861 were back office supportive employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, profit sharing 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.

CORPORATE GOVERNANCE

The Company had complied with all the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the Year.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Year, a total of 2,212,000 shares of HK\$0.10 each of the Company were purchased by the Company at prices ranging from HK\$3.65 to HK\$3.99 per share through the Stock Exchange. The Directors considered the share purchase would lead to an enhancement of the Group's earnings per share.

Save as disclosed above, neither the Company nor its subsidiary companies had purchased or sold any of the Company's shares and the Company had not redeemed any of its shares during the Year.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the annual results of the Company for the Year. The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statement 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's 2006 annual report as well as this announcement of annual results containing all the information required by the Listing Rules will be published on the Stock Exchange's website at www.hkex.com.hk and on the Company's website at www.midland.com.hk.

GENERAL INFORMATION

As at the date of this announcement, Mr. WONG Kin Yip, Freddie, Ms. TANG Mei Lai, Metty, Ms. LAM Fung Fong, Mr. CHAN Kwan Hing and Mr. KWOK Ying Lung are executive Directors. Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson are independent non-executive Directors.

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

Hong Kong, 12th March 2007



MIDLAND HOLDINGS LIMITED

美聯集團有限公司*

(Incorporated in Bermuda with limited liability)

Website : www.midland.com.hk

(Stock Code : 1200)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Midland Holdings Limited (the “Company”) will be held at Rooms 2505-8, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong on 23rd April 2007 at 12:30 p.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December 2006.
2. To declare a final dividend.
3. To re-elect retiring Directors and to fix the Directors’ remuneration.
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions of the Company:

5. “THAT:
 - (a) the Ordinary Resolution passed in the Company’s 2006 annual general meeting relating to fixing the maximum number of Directors of the Company at nine be and is hereby revoked;
 - (b) the maximum number of Directors of the Company for the time being be fixed at ten; and
 - (c) the Directors of the Company be authorized to fill any vacancies on the board of Directors and to appoint additional Directors up to such maximum or such other maximum as may be determined from time to time by members of the Company in addition to those in office at the close of this meeting.”
6. “THAT:
 - (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) above, shall authorise the Directors during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes and other securities of the Company; or (iii) the exercise of options granted under any share option scheme or any similar arrangement for the time being adopted for the grant or issue to eligible persons prescribed thereunder of shares or rights to acquire shares in the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed twenty (20) per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company open for a period fixed by the Directors to holders of shares whose names appear in the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company or, where appropriate, such other securities (subject in all cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

7. “THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase the shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock

Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of the shares of the Company which the Company is authorised to purchase pursuant to the approval in paragraph (a) above shall not exceed ten (10) per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; and
 - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
8. “THAT subject to the passing of resolutions numbered 6 and 7 set out in the notice of this meeting, the aggregate nominal amount of shares which are to be purchased by the Company pursuant to the authority granted to the Directors as mentioned in resolution numbered 7 set out in the notice of this meeting shall be added to the aggregate nominal amount of share capital that may be allotted or agreed to be allotted by the Directors pursuant to resolution numbered 6 set out in the notice of this meeting.”

By order of the Board
LAM Fung Fong
Executive Director and Company Secretary

Hong Kong, 12th March 2007

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, together with a power of attorney or other attorney, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The register of members of the Company will be closed from Tuesday, 17th April 2007 to Monday, 23rd April 2007 both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 16th April 2007.

“Please also refer to the published version of this announcement in The Standard.”