



Midland Holdings Limited

► Incorporated in Bermuda with limited liability ◀

***SOARING
HIGH***

Interim Report 2005

www.midland.com.hk



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Corporate Information

◆ DIRECTORS

Executive Directors

Mr WONG Kin Yip, Freddie
(Chairman and Managing Director)
Mr CHEUNG Kam Shing
(Deputy Chairman)
Ms LAM Fung Fong
Mr CHAN Kwan Hing
Mr KWOK Ying Lung

Independent Non-executive Directors

Mr KOO Fook Sun, Louis
Mr SUN Tak Chiu
Mr WANG Ching Miao, Wilson

◆ AUDIT COMMITTEE

Mr KOO Fook Sun, Louis
Mr SUN Tak Chiu
Mr WANG Ching Miao, Wilson

◆ REMUNERATION COMMITTEE

Mr WONG Kin Yip, Freddie
Ms LAM Fung Fong
Mr KOO Fook Sun, Louis
Mr SUN Tak Chiu
Mr WANG Ching Miao, Wilson

◆ NOMINATION COMMITTEE

Mr WONG Kin Yip, Freddie
Ms LAM Fung Fong
Mr KOO Fook Sun, Louis
Mr SUN Tak Chiu
Mr WANG Ching Miao, Wilson

◆ COMPANY SECRETARY

Mr CHAN Kin Chu, Harry

◆ REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

◆ HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor
World-wide House
19 Des Voeux Road Central
Hong Kong

◆ AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

◆ PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited
Standard Bank Asia Limited
The Hongkong and Shanghai Banking Corporation Limited

◆ HONG KONG LEGAL ADVISERS

Iu, Lai & Li
20th Floor
Gloucester Tower
The Landmark
Central
Hong Kong

◆ BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman
Suite 2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

◆ PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

◆ HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

◆ WEBSITE

www.midland.com.hk

◆ STOCK CODE

1200



Corporate Profile

Founded in 1973, Midland Holdings Limited (“Midland” or the “Company”) is one of the largest real estate agencies in Hong Kong offering a wide range of professional services covering residential, commercial and industrial properties, including real estate brokerage and marketing, property appraisal services, tenders and mortgage brokerage.

Listed on the Stock Exchange of Hong Kong since 1995 (Stock code: 1200), Midland perpetually strives to strengthen its market position through a professional network capitalizing on the opportunity, the recruitment of best available personnel and the continuous improvement of its internal controls and management.

Midland is structured into three major business divisions: residential property brokerage division, industrial and commercial property brokerage division and property leasing division, which enable the Company and its subsidiaries (the “Group”) to become an all-round agency in the industry. To enhance a leading role in the industry, the Group not only acts as an agent for property development projects in Hong Kong, but also in Mainland China, Macau, and those overseas. Being the largest and only real estate agency listed in Hong Kong, the Group now has more than 454 branches and over 6,900 employees in Hong Kong, Mainland China and Macau.

Under the Group’s strategy of sustaining long-term business growth through related business diversification, various strategic business units have been established taking full advantage of the Group’s existing customer base and network. Well known brand name and strong customer base of the Company, as well as the linkage with other business units, have given these business units competitive edge in positioning themselves as a premier service provider of respective sector. Midland Immigration Consultancy and Midland Wealth Management (the Company’s affiliate) are able to provide full and one-stop services including immigration consulting service, property investment consulting service and comprehensive range of wealth management service to customers; mReferral, a joint venture with a major developer and an international bank, offers free referral service as well as provision of comprehensive mortgage information; through EVI Education Asia Limited and Midland University, professional training programs are provided for practitioners in the real estate broking business and/or other regulated or licensed servicing industries in Hong Kong.

Our Vision

“ *Leveraging on our comprehensive branch network, highly experienced management team, integration of internet technology and extensive marketing effort, we strive to be the number one property agency in Hong Kong by offering our customers full-ranged and professional services with added value.* ”

Our Mission

“ *We endeavour to provide “prompt, accurate, sincere, customized and professional” service.* ”

Our Corporate Value

“ *Professionalism is the core value at Midland. What inculcated in the minds of Midland people is the corporate spirit with these key reminders:*

- *Customers always come first*
- *Serve promptly and efficiently*
- *Be aggressive*
- *Be innovative*
- *Treasure teamwork*
- *Reach for new heights* ”



Corporate Structure

Midland Holdings Limited

Real Estate Broking

Hong Kong



Residential Broking Services Division
(100%)



Industrial, Commercial &
Retail Broking Services Division
(100%)

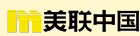


Hong Kong Property
(100%)



Midland Surveyors
(100%)

Mainland China



Midland China
(100%)

Macau



Midland Realty (Macau)
(100%)

Strategic Business



Midland Immigration Consultancy
(100%)



Midland University
(100%)



Midland CyberNet
(100%)



EVI Education Asia
(51.81%)



mReferral
(33.33%)



Midland Wealth Management
(18%)



Major Events

February

The Group was accredited the “Caring Company” by the Hong Kong Council of Social Service for the second consecutive year in recognition of its enduring efforts in caring for the community.



March

The Group acquired controlling interests of EVI Education Asia Limited (Stock code: 8090), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong.



May

The Company was awarded the Certificate of Hong Kong Q-mark Service Scheme.



April

The Group co-operated with the Hong Kong Jockey Club for the second consecutive year to sponsor horse-racing-event namely “Midland Realty Cup”.



The Company became the Constituent Stock of MSCI (Morgan Stanley Capital International) Hong Kong Small Cap Index Series.

Midland University Limited (formerly known as “Midland Campus”) was certified by ISO9001:2000 Quality Management System.

July

The Group launched a market analysis programme in mass media “Midland 729 Property Market Intelligence”.

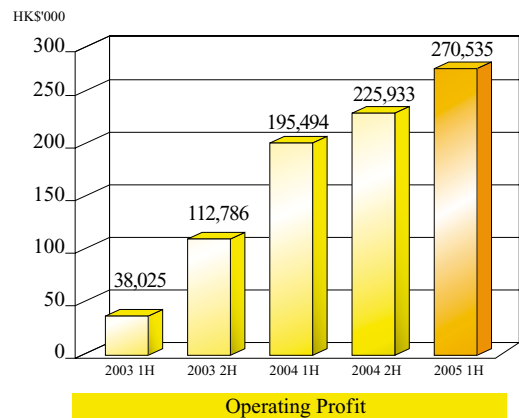
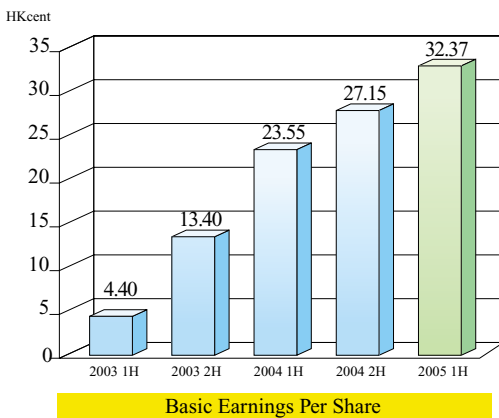
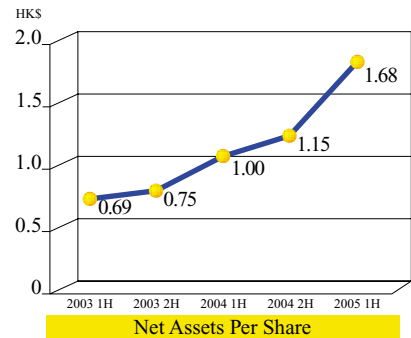
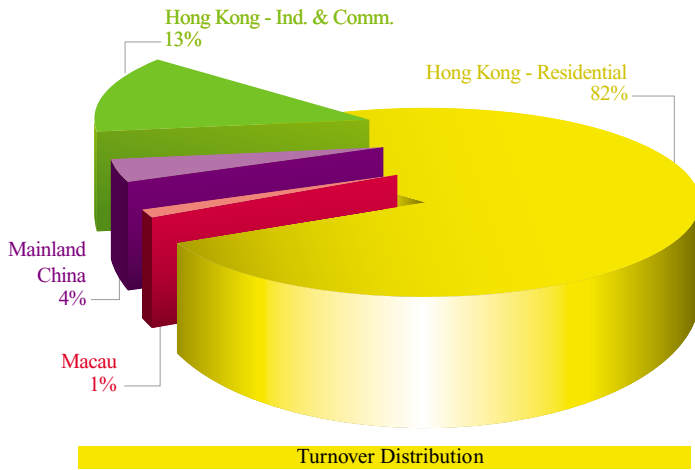


The name of the Company was changed to “Midland Holdings Limited”.



Highlights of 2005 Interim Results

- Group turnover rose 48% to HK\$1,410 million
- Profit attributable to shareholders grew 41% to HK\$234 million
- Basic earnings per share of HK32.37 cents, up 37%
- Interim dividend: HK10 cents per share





Business Review & Outlook

Review

For the first half ended 30th June 2005, we were able to ride on a more active property market to surpass our robust performance of the year before. We are pleased to announce that the profit attributable to shareholders rose 41% in the first half from the year before to HK\$234 million while revenue expanded 48% to HK\$1,410 million. The interim results were our best ever for an interim period.

Once again, our visionary approach served us well. Catching the market uptrend, the Group increased its real estate agency network by about 24% from 350 branches at the end of 2004 to 434 as of 30th June 2005. This enlarged network has allowed us to extend our geographic coverage and sharpening our competitive edge. At the same time, we stepped up our recruitment efforts, increasing the number of employees from 5,700 at year-end to 6,900 by the end of June. Both the number of branches and staff are at a record high.

Outpacing Competitors

As the property market improved, an increasing number of property agents as well as agencies entered the fray. Data collated by the *Estate Agents Authority* (“EAA”) indicate that the number of licensed real estate agents topped records, rising 8% from 18,675 at last year-end to 20,175 as of the end of June. Licenses for real estate agencies, meanwhile, increased 7% from 3,341 to 3,588. Reflecting our competitive edge, the Group expanded its sales force and number of branches in Hong Kong by 19% and 20% respectively in the same period. In terms of growth rates, we clearly outpaced the industry.

During the period, the Group acquired *EVI Education Asia Limited* (“*EVI Education Asia*”), with a view towards developing online education and complementing the EAA’s efforts in Continual Professional Development (“CPD”) Scheme. To keep sharpening our competitive edge, the Group raised funds on the capital market earlier this year. The proceeds are being used to upgrade computer software and hardware, expand the branch network and for general working capital.

Leveraging Brand Building

Last June marked the 10th anniversary of the Group’s listing on the Main Board of *The Stock Exchange of Hong Kong Limited* (the “*Stock Exchange*”). On this occasion, we changed the Company’s name from *Midland Realty (Holdings) Limited* to ***Midland Holdings Limited*** to reflect our new milestone in business diversification.

The Group is now made up of 11 brands, each with its distinct brand name to reflect different services for the myriad needs in the market. They include: ***Midland Residential; Midland Industrial, Commercial and Retail; Midland China; Midland Realty (Macau); Midland Immigration Consultancy; Midland Surveyors, Midland Wealth Management; Hong Kong Property Agency; mReferral; Midland CyberNet and EVI Education Asia.***



Business Review & Outlook (continued)

Review (continued)

Leading in Large-scale Transactions

The Group scored high on large-scale transactions in the first half, winning developers' kudos in the successful marketing of such high-profile residential projects as, The Legend, The Grandiose, The Arch and Royal Green etc. During the same period, the Group further drew market attention with broking the sale of the entire block nine at Residence Bel-Air for HK\$1 billion.

Rate Hike Worries Subside

The property market consolidated in the second half as the number of transactions and home prices stabilized. After a flurry of purchases by owner-occupants and investors alike in the first quarter, much of the buying power was absorbed. As Hong Kong followed the United States and started its own interest rate up cycle, the average mortgage rate rose from the low of 2.375% at last year-end to the current level of 4.75%. However, this time around, the usual cooling effect of rising interest rates has not been so obvious on the property market.

As it is, the current mortgage rate is still relatively low, making housing affordable to most homeowners. By contrast, during the last interest rate up cycle in 1994 and 1995 when home prices suffered a setback, homeowners, in general, were using over half of their household income for mortgage repayment and hence were more sensitive to any rate hike. With mortgage repayments taking up only about one-third of their household income these days, homeowners are finding the rate hike less of a burden. Moreover, home prices are still some 47% off the 1997 peak level. That is why home prices have not come under pressure yet from the recent round of interest rate hikes.

Primary Market Prices Firm Secondary Market Activities Rise

The Land Registry recorded over 73,800 home transactions involving HK\$233.4 billion in the first half. Compared to the same period in 2004, the sales volume rose 16% while the sales value jumped 32%, reflecting a continual uptrend in the market in the first half. Indeed, the average home price of the 50 most actively transacted mass residential estates rose about 10% during the period.

Meanwhile, despite slowing the pace of new launches, developers still maintain prices at above the secondary-market levels. The figures from the Land Registry showed the number of new homes sold plunging 37% to 9,330 transactions in the first half. During the same period, sales activity level jumped 37% in the secondary market to 53,000 cases. The Group was able to benefit from the respectable performance of both the higher sales volume and value in residential properties.



Business Review & Outlook (continued)

Outlook

The Group will continue to pace expansion according to market development. Depending on the changes in industry environment, we shall keep seeking out potentially viable segments to enhance our competitive strength.

Institutionalize Control to Enlarge Market Share

The Group has undergone a decentralization process by corporatising various departments to be led by their respective chief executive officer who is held accountable for their management. Through institutionalizing strict control, management now is in a better position to project their vision and send out their feelers to prepare for rapid changes in market conditions. The Group's first half performance certainly is a proof that the accountability system works.

Founded in Hong Kong some 32 years ago, the Group will remain dedicated to serving first the property needs of Hong Kong people. We shall continue to base our business in Hong Kong while riding on the strength of our extensive network to buttress our businesses in Mainland China, Hong Kong and Macau.

Market Analysis Program to Raise Positioning

On 29th July 2005, the Group launched a market analysis programme in the mass media entitled "Midland 729 Property Market Intelligence". Keeping in mind fairness, objectivity and openness, we aim to offer market players our market outlook based on professional assessment and comprehensive data collation. Distributed to the general public as supplements of major newspapers, our "Market Intelligence" has served to reinforce our leading position in the industry. While serving as a public service to home buyers and sellers, this publication has helped sharpen our competitive edge by raising awareness for the Midland name and reaffirming public confidence in our professional standing.

Branding to Generate Sales

Although the public is already familiar with the Midland brand, we shall not spare any effort to continue building awareness. Some time ago, the Group was accredited as a Caring Corporation. This year, the *Federation of Hong Kong Industries' Hong Kong Q-mark Council* further acknowledged our service standards by admitting us into the Hong Kong Q-mark Scheme.

In terms of a marketing strategy, we have diversified from the print media – which we used extensively for years – to the electronic media. Our latest efforts to raise public awareness included sponsorship of various programmes on TV and radio.

Meanwhile, the Group had corporatised *Midland University Limited*, matching that with EVI Education Asia to offer industry aspirants and practitioners training on real estate broking. In fact, the *Hong Kong Council for Academic Accreditation* has been certifying as core CPD courses more and more of the subjects being taught at our training center, allowing students to score towards their certification when taking such courses.



Business Review & Outlook (continued)

Outlook (continued)

Tighter Supervision More Competitive Edge

The EAA is stepping up the supervision of industry participants. While encouraging real estate agents to participate in CPD, the authority also has raised the certification standards by making examination contents more difficult. This certainly has the effect of improving the quality of industry participants and raising professional standards. But in the short run, the higher barrier will discourage some prospects from entering real estate broking. Having said that, we do agree that tighter supervision will benefit the industry in the long run and give the more established agencies a competitive edge.

Rate Hike Slows Home Prices Peak

Hong Kong finally succumbed to the pressure of the US interest rate up cycle, given the local currency's peg to the US dollar. The mortgage rate started going up in the first quarter. However, as the mortgage rate is still way below the 9% level of 1997, homebuyers are relatively comfortable on the affordability index. We believe also that a moderate rise in the mortgage rate actually will help fence off speculation, prevent bubble formation and stabilize home prices. Putting the market on track for stable growth definitely is in the interest of property owners.

Discount Boosts Land Bidding Demand

The property market has been on the rebound in the past two years. Besides the economic upturn (which lifted home-buying confidence), a major factor contributing to the recovery was dwindling supply. Data compiled by the Group's Research Department indicated that the number of new homes being launched had fallen from nearly 33,000 in 2002 to just about 17,200 in 2004.

The situation is changing, however. Since last year-end, the *Mass Transit Railway Corporation* and the *Kowloon Canton Railway Corporation* had resumed the tendering of development rights for sites above their train stations along the new routes. With around 17,000 units developable in total, it is highly unlikely that the housing supply chain would be disrupted. Moreover, a recent change in the land sale policy also is likely to help. Ever since the Government offered a 20% discount off the base price of each lot to be auctioned, developers had been picking out one lot after another on the land sale outline schedule, reflecting their positive outlook on the market. On the other hand, as no developer has yet to outline any land in an upscale residential area for auction, the supply of luxury flats is likely to remain tight, giving fresh support to firming prices of high-end homes.



Business Review & Outlook (continued)

Outlook (continued)

Demand to Lift Home Prices Further

We are of the opinion that rising demand rather than short supply will be driving the market. After two years of a strong economic rebound, consumers across the board have seen their livelihood improve noticeably. The employment situation, for one, continues to be on the mend, with an overall upturn in salaries and wages boosting consumer confidence. As always, the property market's performance tracks the economic cycle. With an increase in take-home pay, homebuyers are able to take up homes at higher prices and better quality.

Financially sounder homeowners seeking to trade up tend to favour larger properties. This essentially means that the market has potential demand for more floor space. In the first half, the Land Registry recorded an obvious increase in secondary-market turnover, reflecting a robust demand from homeowners trading up.

Meanwhile, the recent rental uptrend also indicated stronger housing demand. More than that, the increase in residential rental rates is catching up with the rise in home prices gradually, thus making it more appealing to long-term investors to buy for lease. Having risen an average of just 8% versus the 10% increase in home prices in the first half, rental rates apparently have further upside potential.

The grand opening of Hong Kong Disneyland and some other tourist attractions in the second half, coupled with the recent appreciation of the renminbi, is attracting more visitors to Hong Kong. Visitors will be a major stimulant to local economic growth by boosting retail sales and overall consumption. With this in mind, the Group will keep an eye out for every opportunity to expand further.

Turnover to Rise if Government Cuts Tax

Even though the property market entered a period of consolidation in the second quarter and is likely to continue along this line throughout the third quarter, we believe that it just might make a breakthrough in the fourth quarter, given the sound economic fundamentals. Recently, a number of public officials intimated that tax cuts would be possible. If the Government should decide to give tax concessions, the local economy is bound to improve further along with consumer confidence. In that case, the property market could only get better.

Concerns: High Oil Price

External factors will continue to have an impact on the local property scene, the foremost being, surging oil prices. Along with the rest of the world, Hong Kong's economy will feel the pressure even though its dependency on oil is relatively low. Export-driven and internationally intertwined, Hong Kong's economic growth will be pulled back to some degree if major markets are hard hit. The Group will keep a close tab on the market condition and apply flexibility when planning development and expansion.

Ever since the Asian financial crisis, asset valuation on a global scale has been left vulnerable. If assets in major markets are devalued, the Hong Kong economy will suffer a setback as well. In this light, the consolidation from April to August is probably a blessing in disguise, leaving the property market on a steady footing to expand.



Corporate Social Responsibility

As a prominent local enterprise, the Company seeks to shoulder social responsibilities by contributing back to the society. With such commitment, the Group has made the following contributions:

Caring Company

As a responsible corporate citizen, the Company is active in supporting the public welfare activity. In fiscal year 2004-2005, the Company was accredited the "Caring Company" by the Hong Kong Council of Social Service for the second consecutive year in recognition of its enduring efforts in caring for the community.



Establishing the "Midland Charitable Foundation"

In order to further support the philanthropy, in late 2004, a charitable foundation named "Midland Charitable Foundation" was established with an aim to promote the importance of family value.



As a leading organization in real estate agency sector, Midland is committed to using its expertise to contribute to the community. For each secondary property transaction, a fraction of the Group's commission income is set aside for charity donations to the Foundation.





Corporate Social Responsibility (continued)

Supporting charitable activities and campaigns

The Group has supported vigorously numerous community programs through donations and various kinds of sponsorship including "ORBIS Pin Day Appeal" and "Lifeline Express".

Senior management acts as role models, demonstrating their caring spirit to the community by devoting time and effort to various charitable activities. Our employees

dedicatedly participated in a series of charitable activities co-organized by the Company like periodical visits to the elderly and the children lodged in Ronald McDonald House, and participation in "flag selling" organized by Hong Kong Alzheimer's Disease Association.



Community Programme For The Youth

The Group has during this summer time organized a reading program for donating books to and subsidizing the youth and community service of the Hong Kong Caritas with an aim to cultivate the reading habits among and reading interest of the youth.



Financial aid for victims of natural disaster

Immediately after the tsunami disaster, the Company aided various non-government organizations including The Hong Kong Red Cross, Oxfam, United Nation's Children's Fund and The Salvation Army, etc in their tsunami relief efforts.



***Management Discussion and Analysis*****Liquidity, Financial Resources and Funding**

As at 30th June 2005, the Group had bank balances and cash of HK\$618,734,000, whilst bank loans and overdrafts amounted to HK\$92,513,000. The Group's bank loans were secured by certain investment properties and other properties held by the Group with a total net book value of HK\$220,511,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	37,556
After 1 year but within 2 years	9,950
After 2 years but within 5 years	7,001
Over 5 years	38,006

The Group had unutilised banking facilities amounting to HK\$138,639,000 from various banks. The Group's borrowings are in Hong Kong Dollars, there is 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 30th June 2005, the gearing ratio of the Group was 8%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

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

Risk Management

The Group endeavours to strengthen and enhance its risk management policies and monitoring system. The objectives of such management system are to identify and evaluate key risks existed in business operations and financial management on a continual basis and to monitor and control the reasonableness of decisions in operations and resources allocation.

For operational risk, the Group manages this risk through a controls-based environment in which framework of policies, procedures and tools are in place to identify, assess, monitor, control and report such risks.

For reputational risks, the board of directors of the Company (the "Board") and senior management will consider and assess this risk during the setting of business goals as well as the formulation of policies and standards for the Group. These policies and standards are communicated through manuals and guidelines and are promulgated through internal communications and training.

***Management Discussion and Analysis (continued)*****Acquisition and Investment**

In March 2005, an acquisition of approximately 51.81% of the issued share capital of EVI Education Asia Limited, a company incorporated in the Cayman Islands and listed on the Growth Enterprise Market operated by the Stock Exchange, was completed. The total investment cost amounted to HK\$107.5 million was satisfied by the internal resources of the Group.

As at 30th June 2005, the Company held in aggregate 52,748,000 shares of Chun Wo Holdings Limited, a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange, representing 7.08% of its issued share capital.

Use of Proceeds

The total net cash proceeds from the Company's placing of its existing shares and top-up subscription for its new shares in March 2005 amounted to approximately HK\$183 million. In line with the announcement of the Company issued on 22nd March 2005 (the "Announcement"), the Group utilized about HK\$43 million for branch expansion in which 84 branches had been opened as at 30th June 2005.

According to the Announcement, the Group would use approximately HK\$20 million for upgrading and enhancement of its computer hardware and software. As at the date of this report, the Group had used about HK\$8.7 million, of which about HK\$5.2 million was used for infrastructure improvement, and the remaining balance of about HK\$3.5 million was used for procurement of liquid crystal display (LCD) monitor. The remaining balance of the proceeds amounting to about HK\$11.3 million will also be utilized for upgrading and enhancement of the Group's computer hardware and software.

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.

Staff and Remuneration Policies

As at 30th June 2005, the Group employed 6,972 full time employees of which 6,071 were sales agents and 901 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 for both the directors and employees. On staff development, both in-house and external training and development programmes are conducted on a regular basis.



Corporate Governance Report

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing The Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the interim period for the six months ended 30th June 2005. To ensure stricter compliance with the Code, relevant amendments to the Company’s Bye-law, such as the provision for rotation of directors, were proposed and approved by shareholders at the special general meeting held on 6th June 2005.

Below are the major corporate governance practices adopted by the Company.

The Board of Directors

The principal function of the Board is to formulate strategy and to monitor and control operating and financial performance in pursuit of Group strategic objectives. The Board, led by the Chairman, retains full responsibility for setting objective and business development plans, overseeing the processes that management has in place to identify business opportunities and risks, considering and determining major acquisition and disposal and assuming responsibility for corporate governance. The role of the Board is not to manage the business which responsibility remains vested with the management. The management is responsible for implementing the strategies and plans adopted by the Board.

The Chairman encourages the Directors to be fully engaged in the Board’s affair and make contribution to the Board’s functions. In addition to the regular board meetings, the Chairman holds meetings with the Independent Non-executive Directors at least annually without the Executive Directors present.

When the Board considers any proposal or transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and Independent Non-executive Directors who have no material interest in the transaction present at such board meeting. At the meeting, the Director, who has interests, declares his interest and is required to abstain from voting.

The Board meets regularly throughout the interim period to discuss the overall strategy as well as the operation and financial performance of the Group and other business units. It held a total of seven board meetings during the interim period and up to the date of this report.



Corporate Governance Report (continued)

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. A copy of the Model Code is sent to each Director of the Company first on his appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's interim results and annual results that the Director cannot deal in the shares of the Company until after such results have been published.

Having made specific enquiry of all Directors of the Company, all Directors confirmed they had complied with the required standard set out in the Model Code.

Delegation by the Board

The Board has appointed three board committees to assist the Board in discharge of its duties and to oversee particular aspects of the Group's affairs. Each committee has its defined scope of duties and terms of reference available on the Company's website.

(1) Audit Committee

The Audit Committee comprises three members who are also Independent Non-executive Directors of the Company. Under its terms of reference which are aligned with the code provisions set out in the Code, the Committee is required to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements of the Company, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

(2) Remuneration Committee

The Remuneration Committee comprises five members, a majority of whom are Independent Non-executive Directors. The Committee is aimed to review and determine the remuneration policy and packages of the Executive Directors and senior management. The Executive Directors, assisted by the Group Human Resources Department, are responsible for reviewing all relevant remuneration data and market conditions as well as the performance of individuals and the profitability of the Group, and propose to the Committee for consideration and approval, remuneration packages for Directors and senior executives. Executive Directors do not participate in the determination of their own remuneration.



Corporate Governance Report (continued)

Delegation by the Board (continued)

(3) Nomination Committee

The Nomination Committee comprises five members, a majority of whom are Independent Non-executive Directors. The Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments. The Company follows a formal and transparent procedure for the appointment of new Directors. Appointments are first considered by the Committee. The recommendations of the Committee are then put to the full Board for consideration.

Investor Relations

The Company continues to promote and enhance investor relations and communications with potential investors. To enhance communication with investment world, our investor relations team paid visits to most of the world's major financial centers such as New York, London, Tokyo and Singapore. During the roadshow exercises, our staff met with numerous fund managers and helped the investment world understand the position and strategies of the Group.

Communication with Shareholders

To foster effective communications with shareholders and investors, the Company is committed to providing clear and full performance information of the Group in its annual report, interim report and press releases. In addition to dispatching circular, notices, financial reports to shareholders, the Company also disseminates information relating to the Group and its business electronically through its website at www.midland.com.hk. There is also a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. The Company has become more proactive in responding to enquires raised by the institutional investors, investment analysts and investing individual. It values feedback from shareholders on its efforts to promote corporate governance.

Dividend Policy

The Group's dividend policy is to provide relatively steady dividend payout ratio, linked to the Group's earnings performance and cash flow position as well as the business environment.

In view of its growth potentials, it is also the intention of the Group to maintain a position of financial stability and solid cash holdings to take advantage of any expansion or investment opportunities that may arise from time to time.



Additional Information

Directors' Interests in Equity or Debt Securities

As at 30th June 2005, the interests and short positions of each Director and Chief Executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have under such provisions of the SFO); or (b) to be entered into the register referred to therein pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

	Number of ordinary shares/ underlying shares held			Total	Percentage of shareholding
	Personal interests	Corporate interests	Family interests		
Mr WONG Kin Yip, Freddie	29,636,000 (note (a))	107,494,144 (note (b))	–	137,130,144	18.46%
Mr CHEUNG Kam Shing	321,000 (note (c))	–	–	321,000	0.04%
Ms LAM Fung Fong	575,000 (note (d))	–	225,000 (note (e))	800,000	0.11%

Notes:

- (a) These shares were held by Mr WONG Kin Yip, Freddie as beneficial owner.
- (b) These shares were owned by Sunluck Services Limited, a private company controlled by Mr WONG Kin Yip, Freddie through Southern Field Trading Limited.
- (c) These shares were held by Mr CHEUNG Kam Shing as beneficial owner.
- (d) These shares were held by Ms LAM Fung Fong as beneficial owner.
- (e) These shares were held by the spouse of Ms LAM Fung Fong.



Additional Information (continued)

Directors' Interests in Equity or Debt Securities (continued)

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at the 30th June 2005, none of the Directors nor the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have under such provisions of the SFO); or (b) to be entered into the register referred to therein pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' in Equity

As at 30th June 2005, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executives of the Company, the following persons or companies, other than a Director or chief executive of the Company, had or were deemed to have an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of shares	Capacity	Percentage of shareholding
Sunluck Services Limited	107,494,144	Beneficial owner	14.47% (note)
Southern Field Trading Limited	107,494,144	Controlled corporation	14.47% (note)
J.P. Morgan Chase & Co.	51,418,784 444,000 3,820,000	Lending pool Beneficial owner Investment manager	7.50%
Universities Superannuation Scheme Limited	37,950,000	Trustee	5.11%
Oppenheimerfunds, Inc.	37,882,000	Investment manager	5.10%
Third Avenue Management LLC	37,346,000	Investment manager	5.03%

Additional Information (continued)**Substantial Shareholders' in Equity (continued)**

Note:

These shares represent the same block of shares. Sunluck Services Limited is a wholly owned subsidiary of Southern Field Trading Limited which interest duplicates those of Mr WONG Kin Yip, Freddie in the Company.

All the interests disclosed above (save and except those 51,418,784 shares held by J.P. Morgan Chase & Co. in a lending pool) represent long position in the shares of the Company.

Share Option Schemes

The 1995 Share Option Scheme, which was adopted by the Company on 12th May 1995, was terminated on 30th April 2002 without prejudice to the rights and benefits of and attached to those options granted thereunder which were outstanding as at 30th April 2002.

There were no share options granted to and exercised by directors and employees in accordance with the terms of the share option scheme adopted on 30th April 2002 ("2002 Share Option Scheme") during the period and up to the date of the approval of the accounts. As at 30th June 2005, there was no outstanding share option under 2002 Share Option Scheme.

Purchase, Sale or Redemption of Shares

During the six months ended 30th June 2005, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed financial reporting matters including a review of the unaudited condensed consolidated financial statements for the six months ended 30th June 2005.



Additional Information (continued)

Human Resources Practices

The Group's human resources practices are aligned with its core value of professionalism. The Company believes that people development is important to sustaining long-term business growth. During the interim period, it continually supported the professionalism of the staff by providing various training and development programs and also strengthened its performance measurement system.

Interim Dividend

The Directors have resolved to declare an interim dividend of HK\$0.10 per share for the six months ended 30th June 2005 (six months ended 30th June 2004: HK\$0.07). The interim dividend will be paid to shareholders of the Company whose names are recorded on the register of members of the Company as at the close of business on 5th October 2005. Dividend warrants will be dispatched to shareholders of the Company on or about 10th October 2005.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 3rd October 2005 to Wednesday, 5th October 2005 both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 2005 interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 30th September 2005.

A Word of Thanks

The Group's success is attributable to all staff working together to scale new heights. On behalf of the Directors, let me offer my sincere thanks to all shareholders for their support and to all staff for their dedication.

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

Hong Kong, 8th September 2005



Condensed Consolidated Financial Statements

The Board of Directors of the Company is pleased to present the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June 2005 together with the comparative figures as follows:–

Unaudited Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	<i>Note</i>	30.6.2005 <i>HK\$'000</i>	Restated 30.6.2004 <i>HK\$'000</i>
Turnover	3	1,409,667	952,079
Other revenues		15,318	5,222
Total revenues		1,424,985	957,301
Operating costs		(1,162,183)	(762,567)
Change in fair value of investment properties		7,733	760
Operating profit	4	270,535	195,494
Finance costs	5	(997)	(192)
Share of profits less losses of jointly controlled entities		3,711	799
Profit before taxation		273,249	196,101
Taxation	6	(40,268)	(28,571)
Profit for the period		232,981	167,530
Attributable to:			
Equity holders of the Company		234,049	165,865
Minority interests		(1,068)	1,665
		232,981	167,530
Earnings per share for profit attributable to equity holders of the Company during the period			
– Basic	7	HK32.37 cents	HK23.55 cents
– Diluted	7	N/A	HK23.54 cents
Interim dividend	8	74,283	49,307

**Unaudited Condensed Consolidated Balance Sheet**

AS AT 30TH JUNE 2005

	<i>Note</i>	30.6.2005 <i>HK\$'000</i>	Restated 31.12.2004 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	9	101,182	75,794
Investment properties	9	119,060	51,449
Leasehold land	9	98,387	100,123
Intangible assets	9	53,358	–
Interests in jointly controlled entities		12,542	10,332
Available-for-sale financial assets		47,473	–
Held-to-maturity investments		11,032	–
Investment securities		–	64,288
Deferred tax assets		8,155	9,395
		<u>451,189</u>	<u>311,381</u>
Current assets			
Accounts receivable	10	854,595	625,739
Other receivables, prepayments and deposits		137,593	98,805
Financial assets at fair value through profit or loss		19,740	–
Trading investments		–	18,650
Cash and cash equivalents		618,734	405,823
		<u>1,630,662</u>	<u>1,149,017</u>
Total assets		<u>2,081,851</u>	<u>1,460,398</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	74,283	70,439
Share premium	11	311,002	131,700
Other reserves		678,738	523,496
Proposed dividend		74,283	86,640
		<u>1,138,306</u>	<u>812,275</u>
Minority interests		<u>75,415</u>	<u>–</u>
Total equity		<u>1,213,721</u>	<u>812,275</u>



Unaudited Condensed Consolidated Balance Sheet (continued)

AS AT 30TH JUNE 2005

	<i>Note</i>	30.6.2005 <i>HK\$'000</i>	Restated 31.12.2004 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long-term bank loans – secured	12	54,957	31,124
Deferred tax liabilities		3,171	1,389
		<u>58,128</u>	<u>32,513</u>
Current liabilities			
Accounts payable	13	454,610	335,542
Other payables and accrued charges		242,848	217,841
Current portion of long-term bank loans – secured	12	18,797	14,686
Taxation payable		74,988	37,768
Bank overdrafts	12	18,759	9,773
		<u>810,002</u>	<u>615,610</u>
Total liabilities		<u>868,130</u>	<u>648,123</u>
Total equity and liabilities		<u>2,081,851</u>	<u>1,460,398</u>
Net current assets		<u>820,660</u>	<u>533,407</u>
Total assets less current liabilities		<u>1,271,849</u>	<u>844,788</u>



Unaudited Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Attributable to equity holders of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	
	At 1st January 2004, as previously reported as equity	70,309	131,108	(35,260)	396,987	
At 1st January 2004, as previously separately reported as minority interests	–	–	–	–	8,355	8,355
Decrease in expenses in respect of property, plant and equipment and leasehold land	–	–	–	76	–	76
Deferred tax in respect of property, plant and equipment and leasehold land and arising from the revaluation of investment properties	–	–	–	1,962	–	1,962
At 1st January 2004, as restated	70,309	131,108	(35,260)	399,025	8,355	573,537
Currency translation differences	–	–	24	–	–	24
Exercise of share options	130	592	–	–	–	722
Profit for the period	–	–	–	165,865	1,665	167,530
2003 final dividend paid	–	–	–	(35,220)	–	(35,220)
At 30th June 2004	70,439	131,700	(35,236)	529,670	10,020	706,593



Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE 2005

	Attributable to equity holders of the Company					Total HK\$'000
	Share capital	Share premium	Other reserves	Retained earnings	Minority interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2005, as previously reported as equity	70,439	131,700	(32,063)	669,698	–	839,774
Reversal of revaluation reserve, net of tax	–	–	(3,025)	–	–	(3,025)
Increase in expenses in respect of property, plant and equipment and leasehold land	–	–	–	(27,510)	–	(27,510)
Deferred tax in respect of property, plant and equipment and leasehold land and arising from the revaluation of investment properties	–	–	–	3,036	–	3,036
Opening adjustment for the adoption of HKAS 39	–	–	4,761	–	–	4,761
At 1st January 2005, as restated	70,439	131,700	(30,327)	645,224	–	817,036
Revaluation deficit on available-for-sale financial assets	–	–	(10,550)	–	–	(10,550)
Impairment loss charged to the income statement	–	–	5,789	–	–	5,789
Currency translation differences	–	–	204	–	–	204
Issue of share capital	3,844	179,302	–	–	–	183,146
Profit for the period	–	–	–	234,049	(1,068)	232,981
2004 final dividend paid	–	–	–	(91,368)	–	(91,368)
Minority interests – acquisition of subsidiary (Note 15)	–	–	–	–	76,483	76,483
At 30th June 2005	74,283	311,002	(34,884)	787,905	75,415	1,213,721

**Unaudited Condensed Consolidated Cash Flow Statement***FOR THE SIX MONTHS ENDED 30TH JUNE 2005*

	30.6.2005	Restated
	<i>HK\$'000</i>	<i>30.6.2004</i>
		<i>HK\$'000</i>
Net cash generated from operating activities	169,051	225,875
Net cash used in investing activities	(85,052)	(114,275)
Net cash generated from/(used in) financing activities	119,722	(10,674)
Net increase in cash and cash equivalents	203,721	100,926
Cash and cash equivalents at 1st January	396,050	358,801
Effect of foreign exchange rate changes	204	24
Cash and cash equivalents at 30th June	599,975	459,751
Analysis of balances of cash and cash equivalents:		
Cash at bank and in hand	382,819	296,065
Short-term bank deposits	235,915	178,976
Bank overdrafts	(18,759)	(15,290)
	599,975	459,751



Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2004 annual financial statements except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRS”) and HKASs (“new HKFRS”) which are effective for accounting periods commencing on or after 1st January 2005.

These condensed consolidated financial statements have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these condensed consolidated financial statements.

The changes to the Group’s principal accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in principal accounting policies

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 12	Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations



Notes to the Condensed Consolidated Financial Statements

2. Changes in principal accounting policies (continued)

The following is a summary of material changes in principal accounting policies or presentation of financial statements as a result of the adoption of the new HKFRS.

(i) HKAS 1

The adoption of HKAS 1 has affected the presentation of minority interests, share of net after-tax results of jointly controlled entities and other disclosures.

(ii) HKAS 16

Buildings previously stated at fair value are now stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) HKAS 17

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value.

(iv) HKASs 32 and 39

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification and measurement of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

(v) HKAS 40 and HKAS-Int 21

The adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.



Notes to the Condensed Consolidated Financial Statements

2. Changes in principal accounting policies (continued)

(vi) HKFRS 2

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statements. Effective on 1st January 2005, the fair value of the employee services received in exchange for grant of the options is recognised as an expense.

(vii) HKFRS 3, HKASs 36 and 38

The adoption of HKFRS 3, HKASs 36 and 38 results in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was:

- amortised on a straight-line basis over a period of not more than 20 years;
- assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

- The Group ceased amortisation of goodwill from 1st January 2005;
- Accumulated amortisation as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- From 1st January 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice (“SSAP”) 24 “Accounting for investments in securities” to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st January 2005;
- HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and
- HKFRS 3 – prospectively after the adoption date.

**Notes to the Condensed Consolidated Financial Statements****2. Changes in principal accounting policies (continued)**

The following is a summary of effect of adopting the new HKFRS on major items in the condensed consolidated financial statements:

As at 30th June 2005

	Increase/(decrease) Effect of adopting				Total HK\$'000
	HKFRS 3, HKASs 36 and 38 HK\$'000	HKAS 40 and HKAS-Int 21 HK\$'000	HKASs 16 and 17 HK\$'000	HKASs 32 and 39 HK\$'000	
ASSETS					
Non-current assets					
Property, plant and equipment	–	–	(129,550)	–	(129,550)
Leasehold land	–	–	98,387	–	98,387
Intangible assets	(2,897)	–	–	–	(2,897)
Investment securities	–	–	–	(58,505)	(58,505)
Available-for-sale financial assets	–	–	–	47,473	47,473
Held-to-maturity investments	–	–	–	11,032	11,032
Deferred tax assets	–	957	1,365	–	2,322
Current assets					
Financial assets at fair value through profit or loss	–	–	–	19,740	19,740
Trading investments	–	–	–	(19,740)	(19,740)
Total assets	<u>(2,897)</u>	<u>957</u>	<u>(29,798)</u>	<u>–</u>	<u>(31,738)</u>
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	–	365	(284)	–	81
Net assets	<u>(2,897)</u>	<u>592</u>	<u>(29,514)</u>	<u>–</u>	<u>(31,819)</u>
EQUITY					
Revaluation reserve, net of tax	–	–	(3,025)	–	(3,025)
Retained earnings	(2,897)	592	(26,489)	–	(28,794)
Total equity	<u>(2,897)</u>	<u>592</u>	<u>(29,514)</u>	<u>–</u>	<u>(31,819)</u>

**Notes to the Condensed Consolidated Financial Statements****2. Changes in principal accounting policies (continued)**

As at 31st December 2004

	Increase/(decrease) Effect of adopting		
	HKAS 40 and HKAS-Int 21 <i>HK\$'000</i>	HKASs 16 and 17 <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	–	(131,300)	(131,300)
Leasehold land	–	100,123	100,123
Deferred tax assets	1,506	2,135	3,641
Total assets	<u>1,506</u>	<u>(29,042)</u>	<u>(27,536)</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	17	(54)	(37)
Net assets	<u>1,489</u>	<u>(28,988)</u>	<u>(27,499)</u>
EQUITY			
Revaluation reserve, net of tax	–	(3,025)	(3,025)
Retained earnings	1,489	(25,963)	(24,474)
Total equity	<u>1,489</u>	<u>(28,988)</u>	<u>(27,499)</u>

The adoption of HKAS 39 resulted in an increase in opening reserves at 1st January 2005 by HK\$4,761,000.

**Notes to the Condensed Consolidated Financial Statements****2. Changes in principal accounting policies (continued)**

	For the six months ended 30th June				
	Increase/(decrease)				
	Effect of adopting				
	2005			2004	
HKFRS 3, HKASs 36 and 38 <i>HK\$'000</i>	HKAS 40 and HKAS-Int 21 <i>HK\$'000</i>	HKASs 16 and 17 <i>HK\$'000</i>	Total <i>HK\$'000</i>	HKASs 16 and 17 <i>HK\$'000</i>	
Operating costs	2,897	–	(14)	2,883	(28)
Taxation	–	(592)	(1,649)	(2,241)	(28)
Profit for the period	(2,897)	592	1,663	(642)	56
Earnings per share (HK cent)					
– Basic	(0.40)	0.08	0.23	(0.09)	–
– Diluted	N/A	N/A	N/A	N/A	–

3. Segment information

The Group is organised into three main business segments including residential property brokerage, industrial and commercial property brokerage and property leasing. Sales or transactions between the business segments are eliminated on presentation of segment information of the Group.

Other operations of the Group mainly comprise online education business, web advertising services, advertising services and valuation business.



Notes to the Condensed Consolidated Financial Statements

3. Segment information (continued)

An analysis of the Group's segment information for the period by business segments is as follows:

Unaudited						
Six months ended 30th June 2005						
	Residential property brokerage	Industrial and commercial property brokerage	Property leasing	Others	Inter- segment elimination	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover						
External sales	1,227,841	181,826	–	–	–	1,409,667
Other revenues						
External sales	–	–	2,736	9,746	–	12,482
Inter-segment sales	–	–	5,169	1,751	(6,920)	–
Segment revenues	<u>1,227,841</u>	<u>181,826</u>	<u>7,905</u>	<u>11,497</u>	<u>(6,920)</u>	<u>1,422,149</u>
Segment results	<u>217,292</u>	<u>44,598</u>	<u>13,439</u>	<u>431</u>	<u>43,459</u>	319,219
Unallocated costs						<u>(51,520)</u>
Operating profit before interest income and finance costs						267,699
Net finance income						1,839
Share of profits less losses of jointly controlled entities	(171)	–	–	3,882	–	<u>3,711</u>
Profit before taxation						273,249
Taxation						<u>(40,268)</u>
Profit for the period						<u>232,981</u>

**Notes to the Condensed Consolidated Financial Statements****3. Segment information (continued)**

	Unaudited					Total HK\$'000
	At 30th June 2005					
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Inter- segment elimination HK\$'000	
Segment assets	1,000,221	131,720	185,944	157,097		1,474,982
Interests in jointly controlled entities	617	–	–	11,925		12,542
Unallocated assets						575,568
Total assets						2,063,092
Segment liabilities	572,913	89,586	1,885	4,148		668,532
Unallocated liabilities						180,839
Total liabilities						849,371

	Unaudited					Total HK\$'000
	At 30th June 2005					
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Capital expenditure	41,677	1,756	59,878	1,650	–	104,961
Depreciation	17,735	1,354	75	306	61	19,531
Amortisation	–	–	1,565	2,472	171	4,208
Impairment charges	–	–	–	9,368	–	9,368
Other non-cash expenses/(income)	60,663	14,323	(7,733)	65	–	67,318

**Notes to the Condensed Consolidated Financial Statements****3. Segment information (continued)**

	Restated					
	Six months ended 30th June 2004					
	Residential property brokerage	Industrial and commercial property brokerage	Property leasing	Others	Inter- segment elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External sales	827,419	124,660	–	–	–	952,079
Other revenues						
External sales	–	–	995	3,197	–	4,192
Inter-segment sales	–	–	3,857	2,438	(6,295)	–
Segment revenues	<u>827,419</u>	<u>124,660</u>	<u>4,852</u>	<u>5,635</u>	<u>(6,295)</u>	<u>956,271</u>
Segment results	<u>162,397</u>	<u>25,620</u>	<u>3,766</u>	<u>3,152</u>	<u>22,960</u>	<u>217,895</u>
Unallocated costs						<u>(23,431)</u>
Operating profit before interest income and finance costs						194,464
Net finance income						838
Share of profits less losses of jointly controlled entities	(835)	–	–	1,634	–	<u>799</u>
Profit before taxation						196,101
Taxation						<u>(28,571)</u>
Profit for the period						<u>167,530</u>

**Notes to the Condensed Consolidated Financial Statements****3. Segment information (continued)**

	Restated					Total <i>HK\$'000</i>
	At 31st December 2004					
	Residential property brokerage <i>HK\$'000</i>	Industrial and commercial property brokerage <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	
Segment assets	706,282	107,381	125,310	11,236		950,209
Interests in jointly controlled entities	789	–	–	9,543		10,332
Unallocated assets						490,084
Total assets						<u>1,450,625</u>
Segment liabilities	446,779	68,863	1,256	1,133		518,031
Unallocated liabilities						<u>120,319</u>
Total liabilities						<u>638,350</u>

	Industrial and commercial					Total <i>HK\$'000</i>
	Residential property brokerage <i>HK\$'000</i>	property brokerage <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	
	Capital expenditure	60,566	4,578	44,167	177	
Depreciation	17,725	1,697	124	230	124	19,900
Amortisation	–	–	2,733	–	341	3,074
Other non-cash expenses/(income)	29,339	20,934	(5,690)	75	–	44,658

No analysis of the Group's segment information by geographical segments is presented as less than 10% of the Group's activities and operations are attributable to markets outside Hong Kong.



Notes to the Condensed Consolidated Financial Statements

4. Operating profit

The following items have been included in arriving at operating profit:

	Six months ended	
	30.6.2005	Restated 30.6.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting:		
Gain on disposal of financial assets at fair value through profit or loss	1,119	–
Charging:		
Depreciation	19,531	7,496
Amortisation of leasehold land	1,736	1,519
Amortisation of intangible assets	2,472	–
Impairment of goodwill	3,579	–
Impairment of available-for-sale financial assets	5,789	–
Provision for bad and doubtful debts	75,051	29,512
Loss on disposal of property, plant and equipment	164	56
Staff costs		
– Key management compensation	40,891	22,563
– Others	660,008	506,021

5. Finance costs

	Six months ended	
	30.6.2005	30.6.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	997	192



Notes to the Condensed Consolidated Financial Statements

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30th June 2004: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the unaudited condensed consolidated income statement represents:

	Six months ended	
	30.6.2005	Restated 30.6.2004
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	37,208	27,028
Overseas taxation	38	85
Deferred taxation	3,022	1,458
	<u>40,268</u>	<u>28,571</u>

Share of a jointly controlled entity's taxation for the six months ended 30th June 2005 of HK\$842,000 (six months ended 30th June 2004: HK\$371,000) is included in the unaudited condensed consolidated income statement as share of profits less losses of jointly controlled entities.

**Notes to the Condensed Consolidated Financial Statements****7. Earnings per share****Basic**

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

	Six months ended	
	30.6.2005	Restated 30.6.2004
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Profit attributable to equity holders of the Company	234,049	165,865
Weighted average number of ordinary shares in issue (thousands)	723,079	704,219
Basic earnings per share (HK cents per share)	32.37	23.55

Diluted

The diluted earnings per share for the six months ended 30th June 2005 was not presented as no outstanding share options during the period.

The diluted earnings per share for the six months ended 30th June 2004 was based on the restated profit attributable to equity holders of the Company of HK\$165,865,000 and 704,345,000 ordinary shares which was the weighted average number of ordinary shares in issue during the period plus the weighted average of 126,000 ordinary shares deemed to be issued at no consideration if the outstanding options had been exercised.

8. Interim dividend

	Six months ended	
	30.6.2005	30.6.2004
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Interim dividend proposed of HK\$0.10 (six months ended 30th June 2004: HK\$0.07) per ordinary share (notes)	74,283	49,307

**Notes to the Condensed Consolidated Financial Statements****8. Interim dividend (continued)**

Notes:

- (a) At a meeting held on 10th March 2005, the Directors declared a final dividend of HK\$0.123 per ordinary share for the year ended 31st December 2004, which was paid on 20th April 2005 and has been reflected as an appropriation of retained earnings for the six months ended 30th June 2005.
- (b) At a meeting held on 8th September 2005, the Directors declared an interim dividend of HK\$0.10 per share for the six months ended 30th June 2005. This proposed dividend is not reflected as a dividend payable in these unaudited condensed consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2005.

9. Capital expenditure

	Goodwill	Website costs and databases	Total intangible assets	Property, plant and equipment	Investment properties	Leasehold land
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book amount as at 1st January 2005						
– as previously reported	–	–	–	207,094	51,449	–
– reclassification	–	–	–	(100,123)	–	100,123
– effect of adopting HKASs 16 and 17	–	–	–	(31,177)	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(101,296)</u>	<u>51,449</u>	<u>100,123</u>
– as restated	–	–	–	75,794	51,449	100,123
Acquisition of subsidiary (Note 15)	29,750	29,659	59,409	1,451	–	–
Other additions	–	–	–	43,632	59,878	–
Disposals	–	–	–	(164)	–	–
Impairment charges	(3,579)	–	(3,579)	–	–	–
Depreciation/amortisation	–	(2,472)	(2,472)	(19,531)	–	(1,736)
Change in fair value	–	–	–	–	7,733	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,733</u>	<u>–</u>
Closing net book amount as at 30th June 2005	<u>26,171</u>	<u>27,187</u>	<u>53,358</u>	<u>101,182</u>	<u>119,060</u>	<u>98,387</u>

**Notes to the Condensed Consolidated Financial Statements****9. Capital expenditure (continued)**

	Goodwill	Website costs and databases	Total intangible assets	Property, plant and equipment	Investment properties	Leasehold land
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book amount as at 1st January 2004						
– as previously reported	–	–	–	113,982	22,700	–
– reclassification	–	–	–	(84,921)	–	84,921
– effect of adopting HKASs 16 and 17	–	–	–	76	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
– as restated	–	–	–	29,137	22,700	84,921
Additions	–	–	–	24,816	17,339	–
Disposals	–	–	–	(88)	–	–
Depreciation/amortisation	–	–	–	(7,496)	–	(1,519)
Change in fair value	–	–	–	–	760	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Closing net book amount as at 30th June 2004	–	–	–	46,369	40,799	83,402
Additions	–	–	–	41,956	7,101	18,276
Disposals	–	–	–	(127)	–	–
Depreciation/amortisation	–	–	–	(12,404)	–	(1,555)
Change in fair value	–	–	–	–	3,549	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Closing net book amount as at 31st December 2004	–	–	–	75,794	51,449	100,123

**Notes to the Condensed Consolidated Financial Statements****10. Accounts receivable**

The accounts receivable represents principally agency fee receivable from customers whereby no general credit facilities is available. The customers are obliged to settle the amounts due upon the completion of the relevant agreements as the aging analysis of the Group's accounts receivable at 30th June 2005 was set out as follows:

	30.6.2005	31.12.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	659,113	500,101
Within 30 days	65,403	38,805
31-60 days	50,699	38,982
61-90 days	27,086	23,601
Over 90 days	52,294	24,250
	<u>854,595</u>	<u>625,739</u>

11. Share capital and share premium

	Number of shares	Ordinary shares	Share premium	Total
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 2004	703,090,000	70,309	131,108	201,417
Exercise of share options	<u>1,300,000</u>	<u>130</u>	<u>592</u>	<u>722</u>
At 30th June 2004 and 31st December 2004	704,390,000	70,439	131,700	202,139
Issue of shares	<u>38,439,425</u>	<u>3,844</u>	<u>179,302</u>	<u>183,146</u>
At 30th June 2005	<u>742,829,425</u>	<u>74,283</u>	<u>311,002</u>	<u>385,285</u>

The total number of authorised ordinary share is 1,000 million shares (31st December 2004: 1,000 million shares) with a par value of HK\$0.10 per share (31st December 2004: HK\$0.10 per share). All issued shares are fully paid.



Notes to the Condensed Consolidated Financial Statements

11. Share capital and share premium (continued)

On 4th April 2005, 38,439,425 shares of the Company were issued at HK\$4.87 per share, representing 5.17% of the enlarged issued share capital of the Company, through a private placement to independent third parties, resulting in net proceeds of approximately HK\$183,146,000. Such shares rank pari passu in all respects with the existing shares in issue.

12. Borrowings

	30.6.2005	31.12.2004
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Non-current		
Secured bank loans	54,957	31,124
Current		
Bank overdrafts	18,759	9,773
Secured bank loans	18,797	14,686
	<u>37,556</u>	<u>24,459</u>
Total	<u>92,513</u>	<u>55,583</u>

The maturity of borrowings is as follows:

	Bank overdrafts		Secured bank loans	
	30.6.2005	31.12.2004	30.6.2005	31.12.2004
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within 1 year	18,759	9,773	18,797	14,686
Between 1 and 2 years	–	–	9,950	11,737
Between 2 and 5 years	–	–	7,001	8,669
Wholly repayable within 5 years	<u>18,759</u>	<u>9,773</u>	<u>35,748</u>	<u>35,092</u>
Over 5 years	–	–	38,006	10,718
	<u>18,759</u>	<u>9,773</u>	<u>73,754</u>	<u>45,810</u>

**Notes to the Condensed Consolidated Financial Statements****13. Accounts payable**

The accounts 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. As at 30th June 2005, the accounts payable included HK\$82,397,000 (31st December 2004: HK\$57,702,000) commissions payable which were due for payment within 30 days. All the remaining accounts payable were not yet due.

14. Pending litigations

The Group has been involved in certain litigations in respect of property broking services. After seeking legal advice, the Directors are of the opinion that adequate provision has been made in the unaudited condensed consolidated financial statements to cover any potential liabilities arising from the litigations.

15. Acquisition of subsidiary

On 15th March 2005, the Group acquired 51.8% of the share capital of EVI Education Asia Limited (“EVI”), a company listed in the Growth Enterprises Market of the Stock Exchange. EVI and its subsidiaries are principally engaged in selling and installation of computer hardware and software, provision of computer training services and provision of internet education services. The acquired business contributed revenues of HK\$5,204,000 and net profit of HK\$747,000 to the Group for the period from 15th March 2005 to 30th June 2005. If the acquisition had occurred on 1st January 2005, the Group’s total revenue would have been HK\$1,431,732,000 and profit before allocations would have been HK\$232,417,000.

Details of net assets acquired and goodwill are as follows:

	<i>HK\$ '000</i>
Purchase consideration:	
– Cash paid	107,500
Fair value of net assets acquired – shown as below	<u>80,217</u>
Goodwill	<u>27,283</u>



Notes to the Condensed Consolidated Financial Statements

15. Acquisition of subsidiary (continued)

The goodwill is attributable to the future profitability of the acquired business and the significant synergies expected to arise after the Group's acquisition of EVI.

The assets and liabilities arising from the acquisition are as follows:

	Fair value <i>HK\$ '000</i>	EVI's carrying amount <i>HK\$ '000</i>
Cash and cash equivalents	124,346	124,346
Property, plant and equipment	1,451	1,451
Intangible assets	32,126	2,506
Accounts receivable	3,472	3,472
Other receivables, prepayments and deposits	1,954	1,954
Accounts payable	(417)	(417)
Other payables and accrued charges	(6,232)	(6,232)
Net assets	156,700	127,080
Minority interests	(76,483)	
Net assets acquired	80,217	
Purchase consideration settled in cash		(107,500)
Cash and cash equivalents in subsidiary acquired		124,346
Cash inflow on acquisition		16,846

There were no significant acquisitions in the year ended 31st December 2004.



Investor Relations

Website

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E-Mail Address

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Financial Calendar

2005 AGM	15th April 2005
Announcement of interim results	8th September 2005

Dividends

2005 interim dividend	HK\$0.10 per share
Payment date for interim dividend	on or about 10th October 2005

Share Information

Stock Code	1200
Board Lot	2,000 shares

Shareholder Services

For enquires about share transfer and registration, please contact the Company's Hong Kong Share Registrar:

Abacus Share Registrars Limited
Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
Telephone : (852) 2980 1700

Shareholders should notify the Registrar promptly of any change of their address.

Interim Report 2005

Our interim report is available in both English and Chinese. Shareholders can obtain copies by writing to:

Abacus Share Registrars Limited
Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong

Our interim report and accounts are also available online at our corporate website at www.midland.com.hk