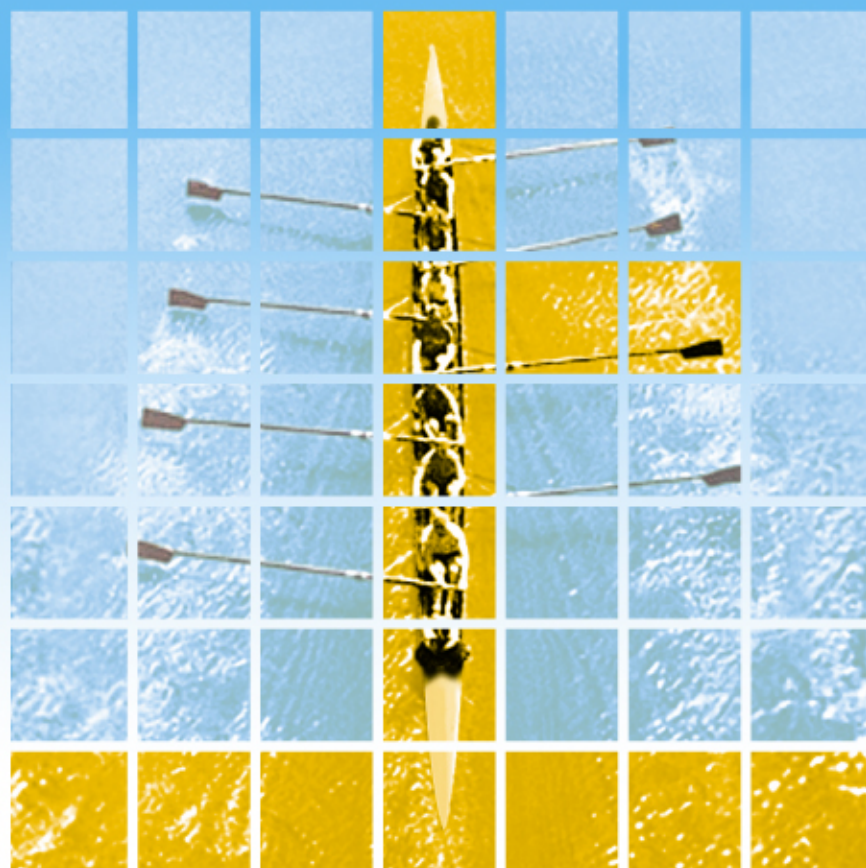


Unity is POWER, Ready for NEW HEIGHT



Interim Report 2006



Midland Holdings Limited

▶ Incorporated in Bermuda with limited liability ◀
(Stock Code 股份代號 : 1200)

www.midland.com.hk



Corporate Information

DIRECTORS

Executive Directors

Mr WONG Kin Yip, Freddie (*Chairman and Managing Director*)

Ms TANG Mei Lai, Metty (*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

Ms LAM Fung Fong

QUALIFIED ACCOUNTANT

Ms KAM Man Yi, Margaret



Midland Holdings Limited

Corporate Information

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

Agricultural Bank of China
Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
UBS AG

HONG KONG LEGAL ADVISERS

Iu, Lai & Li

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman

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
26th Floor, Tesbury Centre
28 Queen's Road East, Hong Kong

WEBSITE

www.midland.com.hk

STOCK CODE

1200

The board of directors (the “Board” or the “Directors”) of Midland Holdings Limited (“Midland” or the “Company”) is pleased to present the interim report and condensed consolidated financial information for the six months ended 30th June 2006 (the “Interim Period”) of the Company and its subsidiaries (collectively, the “Group”). The unaudited consolidated income statement, unaudited consolidated statement of changes in equity and unaudited condensed consolidated cash flow statement of the Group for the Interim Period, and the unaudited consolidated balance sheet of the Group as at 30th June 2006, along with explanatory notes, are set out on pages 15 to 37 of this report.

Management Discussion and Analysis

Business Review

In the first half ended 30th June 2006, the Group recorded profit attributable to shareholders of HK\$32 million, down from the same period a year ago. We are pleased to report, however, that our efforts in improving the cost structure have paid off. During the Interim Period, we were able to improve business noticeably from the second half of 2005, thus on a half on half basis, we are back in the black. Revenue for the Interim Period was about the same as last year’s second half.

The upward interest rate movement continued to slow the property market earlier this year. Records at the Land Registry showed that Hong Kong’s property transaction volume fell 35%* year-on-year in the first half while transaction value plunged 40% in the same period. Facing up to poor market conditions, the Group took some appropriate measures aggressively, so that the number of buy and sell transactions brokered dipped only 31% from the year-ago level. Once again, the Group proved its ability to outperform the market, even during slow times.

Value Brokered Fails to Turn the Tide

We attribute our difficult operating environment largely to a slowdown in property development launches. Our market tally indicated that developers launched only 3,643 units in the first half, down 56% from the 8,223 units marketed in the first half of 2005 and 46% off the second half total. Indeed, new units put on the market hit a new seven-year low for any half-year period. This slowdown directly reduced our income from the primary market. Despite adverse operating conditions, the Group still managed to take up a respectable market share in various project launches such as, The Apex. Our superior performance as an agent for selling new unit not only let us beat the competition but won us kudos among developers as well.

* *The total value of property transactions logged at the Land Registry in the first half of 2006 amounted to HK\$162.52 billion, down 30% from the same period last year. However, the inclusion of the Citibank Plaza in Central into a real estate investment trust (REIT) alone accounted for HK\$22.67 billion of the total value. Excluding this particular REIT transaction, the overall transaction value was HK\$139.85 billion, down 40% from the first half of 2005.*



Management Discussion and Analysis

On the other hand, the secondary market saw more action for these reasons. First, lending rates remained at an affordable level and might have peaked indeed. Second, the local job market has been on the mend with the jobless rate tapering off. Consumer confidence resurged on a greater sense of job security and higher expectation of bigger pay rises. With more owner-occupants resuming the hunt for housing, the resale market – especially of lower-end residential units – enjoyed respectable sales, reflecting a sound foundation for recovery and considerable pent-up purchasing power.

Commission Rate Remains Stable

Given our belief in service excellence, we were able to maintain the average commission rate charged customers at about the similar level, even though the business environment deteriorated. In this day and age when customers often expect more for less, this commission rate was proof of our market leader position and of customer satisfaction for our service.

Costs Reduced on Two Fronts

A rosy outlook for the retail market has boosted rents for commercial premises to new highs. Constrained by the interest rate hikes in most of the first half, we adjusted our pace of development, reducing the number of branches in Hong Kong (including Hong Kong Property) from 341 as of last year-end to 325 as of 30th June. At the end of 30th June 2006, Midland had 471 branches in Hong Kong, Macau and Mainland China. At the same time, we scaled back the number of employees. With these two policies of resource redeployment in place, we believe that both rental and salary expenses will show improvement in the near term.

Brand Name Widely Recognized

This year, the Group continued to ride on the Midland Realty brand name to promote the business. Our efforts are recognized extensively. On the back of international honours received from Forbes and AsiaMoney magazines in 2005, our Macau branch became the first real estate agency in that city to be conferred the Q-Mark accreditation. The steady stream of awards that we received to date is proof of our strong brand name recognition in the market and the profession. Such kudos will help towards lifting further the Group's market positioning and shore up our efforts for future expansion.

Management Discussion and Analysis

Corporate Responsibility Assumed

We believe that people are our important asset in society. Besides strengthening our in-house training to raise service standards and professional caliber, we also collaborate with a number of non-profit organizations through the Midland Charitable Foundation (the “Foundation”) to educate the younger generations. In the Interim Period, the Foundation sponsored a summer holiday reading program through The Boys’ and Girls’ Clubs Association of Hong Kong. In this program entitled, “Let Midland be your Light”, industrious youngsters from disadvantaged families were encouraged to advance through studies with winners earning a cultural exchange trip to Beijing. Also, it funded the purchase of their favourite books for 150 local children to encourage reading as a hobby. In the first half, the Foundation again sponsored the ORBIS Eye Clinic’s fund-raising activity.

Prospects

As the year progressed into the second half, our outlook on the local property scene also turned positive. Since the staging of the World Cup Finals in July, market activities have picked up noticeably. For the first time in more than four years, the US Federal Reserve halted the interest rate hikes in August. Developers became more active with project launches and enjoyed crisp sales so far. Given sound local economic fundamentals, a market flushed with cash, improved consumer sentiment, rising income for the labor force, and a possible stop to rate hikes, we believe that the rest of the year will see further action in home sales.

We base our optimism on three major factors:

1. **More individuals enter the high-income ranks as the economy improves.** Some local enterprises have been taking the opportunity of the economic recovery to expand. Similarly, foreign capital has been entering Hong Kong to partake of increased economic activities. Qualified human resources are in strong demand. With the unemployment rate dropping, a considerable number of workers are getting an increase in pay or in bonus. This, in turn, drives the desire to upgrade housing.
2. **Demand is on the rise among home hunters.** Hong Kong’s birth rate has been on the rise in recent years. It is also expected to reach a recent high this year. If the average household head chooses to upgrade to a larger home in the next one or two years, then the market may see an influx of homeowners upgrading their residences within 2006 and 2007. Hence, we project that in the coming fourth quarter and moving forward to next year, demand for three- or four-bedroom units will increase.
3. **Current home prices are still at affordable levels.** In the post-SARS era to date, the average home price has surged a cumulative 70%. However, it is still some 48% off the peak of 1997. Meanwhile, even though the mortgage rate has risen numerous times over the past years, the affordable index for homeowners remain at an acceptable level of below 40% of the average household income.



Management Discussion and Analysis

Quality housing is in great demand in Hong Kong. Detached homes, which are in short supply, have always been well received. With the number of foreign companies growing, not only do the rents of grade-A office premises rise but the demand for high-end luxury housing also take off. Meanwhile, the improving economy is fanning desire among locals to upgrade their living conditions, thus bolstering demand for luxury homes.

Restructure Branch Network to Raise Efficiency

The Group will continue to raise operational efficiency. That was why even though market conditions improved in July and August, we did not relax and continued to restructure our branch network so that we can utilize our assets with greater flexibility. In those two months, we closed down 18 branches under the Midland Realty name and 12 others under Hong Kong Property. In the branch reduction process, our objective was to contain rental expenses at a reasonable level, without causing undue inconvenience to customers.

Riding on our years of experience, we shall continue to deploy our resources and engineer our advertising and promotion (A&P) effectively to expand our market share. Increasing on-line promotion is our major thrust in A&P. In August, we expanded upon the service of “729 Property Market Intelligence” and launched an on-line version entitled “729 On-line Journal”. Everyday, we post on the Internet the latest property market movements and news. As a token of thanks to our large and broad-based clientele for their years of support, we allow property seekers anywhere in Hong Kong to obtain on-line objective market analyses and updated reports. We believe that this interactive platform may serve to bring the Group closer to customers. As a next step, we plan to expand the 729 programme through webcasting to further strengthen the dissemination of real estate market intelligence.

Foster Innovation to Sharpen Competitive Edge

Traditionally, we place high priority on investing in human resources. Besides making efforts to raise the standards of practitioners in the industry, we also encourage and embrace practicable innovative ideas, so as to maintain management quality and service standards. In our view, that constitutes one key step towards sharpening our competitive edge.

Through the Management Associates Program launched earlier this year, the Group hopes to recruit and develop talents into innovative managers. New blood will be our new driving force as we continue on the path of expansion. We expect the new generation of managers to offer new perspectives and fresh approaches to strengthen the Group and raise its competitiveness.

Our cash position is at a healthy level. Such cash piles are sufficient to meet operational and developmental needs. Reflecting our optimistic outlook on the property market and the real estate industry, the Group proposed to pay out a record-high interim dividend ratio in 2006. Although our dividend payout pattern is dependent on market conditions, we are committed to the policy of offering our investors a steady yield.

Management Discussion and Analysis

Liquidity, Financial Resources and Funding

As at 30th June 2006, the Group had bank balances and cash of HK\$397,238,000, whilst bank loans and overdrafts amounted to HK\$68,218,000. 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\$227,250,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	16,339
After 1 year but within 2 years	5,890
After 2 years but within 5 years	17,668
Over 5 years	15,060

The Group had unutilised banking facilities amounting to HK\$193,228,000 from various banks. The Group's borrowings are in Hong Kong Dollars, there is no significant exposure to foreign exchange rate fluctuation.

As at 30th June 2006, the gearing ratio of the Group was 6.6%. 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 commitment and on-going working capital requirements.

Acquisition and Investment

As at 30th June 2006, 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 of Hong Kong Limited (the "Stock Exchange"), representing 7.08% of its issued share capital.



Management Discussion and Analysis

Human Resources

As at 30th June 2006, the Group employed 6,081 full time employees of which 5,281 were sales agents and 800 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.

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. 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 financial statements to cover any potential liabilities arising from the litigations.

Compliance with the Code on Corporate Governance Practices

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

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry, the Company confirmed that all Directors had complied throughout the Interim Period with the required standard set out in the Model Code.

Additional Information

Directors' Interests in Shares

As at 30th June 2006, 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 (i) to be recorded in the register required to be kept under section 352 of the SFO; or (ii) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Shares of the Company

Names of directors	Number of ordinary shares held			Total	Percentage of the issued share capital
	Personal interests	Corporate interests	Family interests		
Mr WONG Kin Yip, Freddie	29,636,000	107,494,144	–	137,130,144	18.67%
Ms TANG Mei Lai, Metty	–	–	137,130,144 (note)	137,130,144	18.67%
Ms LAM Fung Fong	14,000	–	–	14,000	0.002%

Note:

These shares represent the same block of shares held by Mr WONG Kin Yip, Freddie, the spouse of Ms TANG Mei Lai, Metty, as beneficial owner.

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

Save as disclosed above, as at the 30th June 2006, 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).



Midland Holdings Limited

Additional Information

Substantial Shareholders' Interests in Shares

As at 30th June 2006, the interests and short positions of every person other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and the amounts of such interests and short position were as follows:

Name of shareholders	Number of shares held	Capacity and nature of interest	Percentage of the issued share capital
Sunluck Services Limited	107,494,144 (L)	Corporation interest	14.63% (note)
Southern Field Trading Limited	107,494,144 (L)	Interest in controlled corporation	14.63% (note)
OppenheimerFunds, Inc.	64,896,000 (L)	Investment manager	8.83%
Third Avenue Management LLC	51,756,000 (L)	Investment manager	7.04%
JP Morgan Chase & Co.	44,780,000 (P)	Approved lending agent	6.10%
	54,000 (L)	Beneficial owner	0.01%
The Capital Group Companies, Inc.	44,658,000 (L)	Investment manager	6.08%
Universities Superannuation Scheme Limited	37,950,000 (L)	Trustee	5.17%
American International Group, Inc.	37,200,000 (L)	Investment manager	5.06%

Remarks: (L) – Long Position, (P) – Lending Pool

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.

Additional Information

Save as disclosed above, as at 30th June 2006, no person, other than the directors and chief executive of the Company, whose interests are set out in the section “Directors’ Interests in Shares” above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

Share Option Scheme

Midland’s Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 30th April 2002, the Company adopted the 2002 share option scheme (the “2002 Share Option Scheme”). Details of the share options outstanding as at 30th June 2006 under the 2002 Share Option Scheme were as follows:

Participant	Date of grant	Exercise price (HK\$)	Number of shares issuable under the options		Exercisable period
			As at 1st January 2006	As at 30th June 2006	
Group Consultant (note)	6th December 2005	3.52	918,329	918,329	1st June 2006 to 31st May 2009
		3.52	918,329	918,329	1st December 2006 to 30th November 2009
		3.52	918,329	918,329	1st June 2007 to 31st May 2010
		3.52	918,330	918,330	1st December 2007 to 30th November 2010
Total			<u>3,673,317</u>	<u>3,673,317</u>	

Note:

All options granted to the Group Consultant shall lapse shortly after the date of this report.



Additional Information

No share option had been granted, exercised or lapsed under the 2002 Share Option Scheme during the Interim Period under review.

EVI's Share Option Scheme

EVI Education Asia Limited ("EVI"), the Company's non-wholly owned subsidiary, adopted a new share option scheme (the "2005 Share Option Scheme") on 6th June 2005. Details of the share options outstanding as at 30th June 2006 under the 2005 Share Option Scheme were as follows:

Participant	Date of grant	Exercise price (HK\$)	Number of shares issuable under the options		
			As at 1st January 2006	Granted during the period	As at 30th June 2006
Mr TSANG Link Carl, Brian ("Mr TSANG") (note 1)	16th January 2006	0.06	–	83,000,000	83,000,000 (note 2)

Notes:

1. Mr TSANG is a non-executive director of EVI.
2. The options have an option period of three years and two months commencing from 1st April 2006 to 31st May 2009 (both days inclusive), provided that the maximum number of shares that Mr TSANG is entitled to subscribe for by exercising the options shall not exceed:
 - a. 50% of the total number of options during the period from 1st April 2006 to 31st March 2009; and
 - b. 50% of the total number of options during the period from 1st June 2006 to 31st May 2009.

Save as disclosed above, no share option had been granted, exercised or lapsed under the 2005 EVI Share Option Scheme during the Interim Period under review.

Additional Information

Purchase, Sale or Redemption of Shares

During the Interim Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

Review of Interim Results

The Audit Committee has reviewed and discussed with the management of the Company the unaudited interim report. PricewaterhouseCoopers, the Company's Auditors, has also reviewed the unaudited condensed interim financial information set out on pages 15 to 37 of this report according to Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

Interim Dividend

The Board has resolved to declare an interim dividend of HK\$0.028 per share for the Interim Period (six months ended 30th June 2005: HK\$0.10) 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 2006. Dividend warrants will be dispatched to shareholders of the Company on or around 16th October 2006.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 6th October 2006 to Tuesday, 10th October 2006, both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 2006 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 not later than 4:00 p.m. on 5th October 2006.



Midland Holdings Limited

Additional Information

Appreciation

The Group's success is attributable to all staff working together to scale new heights. On behalf of the Directors, let me offer our 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, 15th September 2006

Unaudited Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Note	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Turnover	3	914,467	1,409,667
Other revenues	3	20,959	11,379
Total revenues		935,426	1,421,046
Other income, net	4	14,322	6,634
Staff costs		(498,854)	(770,899)
Depreciation and amortisation costs		(33,830)	(23,739)
Other operating costs		(375,070)	(362,507)
Operating profit	5	41,994	270,535
Finance costs	6	(1,495)	(997)
Share of profits less losses of jointly controlled entities		3,057	3,711
Profit before income tax		43,556	273,249
Income tax expenses	7	(15,081)	(40,268)
Profit for the period		28,475	232,981
Attributable to:			
Equity holders		31,932	234,049
Minority interests		(3,457)	(1,068)
		28,475	232,981
Earnings per share			
– Basic	8	HK4.35 cents	HK32.37 cents
– Diluted	8	HK4.34 cents	N/A
Interim dividend	9	20,571	74,283



Unaudited Consolidated Balance Sheet

AS AT 30TH JUNE 2006

	Note	30.6.2006 HK\$'000	31.12.2005 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	98,717	119,813
Investment properties	10	98,630	99,670
Leasehold land and land use rights	10	107,434	123,482
Intangible assets	10	41,632	46,584
Interests in jointly controlled entities		13,757	14,700
Held-to-maturity investments		11,041	11,038
Available-for-sale financial assets		44,308	34,286
Financial assets at fair value through profit or loss		20,721	22,359
Deferred income tax assets		18,835	20,904
		<u>455,075</u>	<u>492,836</u>
Current assets			
Accounts receivable	11	753,778	816,186
Other receivables, prepayments and deposits		141,543	144,134
Financial assets at fair value through profit or loss		42,657	17,294
Assets held for sale	15	22,366	–
Cash and cash equivalents		397,238	376,702
		<u>1,357,582</u>	<u>1,354,316</u>
Total assets		<u>1,812,657</u>	<u>1,847,152</u>

Unaudited Consolidated Balance Sheet (continued)

AS AT 30TH JUNE 2006

	Note	30.6.2006 HK\$'000	31.12.2005 HK\$'000
EQUITY			
Share capital	12	73,466	73,466
Share premium	12	281,212	281,212
Other reserves		657,876	634,905
Proposed dividend		20,571	11,755
Equity holders		<u>1,033,125</u>	<u>1,001,338</u>
Minority interests		<u>68,401</u>	<u>71,049</u>
Total equity		<u>1,101,526</u>	<u>1,072,387</u>
LIABILITIES			
Non-current liabilities			
Borrowings	13	38,618	48,508
Deferred income tax liabilities		2,470	1,992
		<u>41,088</u>	<u>50,500</u>
Current liabilities			
Accounts payable	14	354,601	377,255
Other payables and accrued charges		280,653	308,103
Borrowings	13	22,100	32,160
Current income tax liabilities		5,189	6,747
Liabilities classified as held for sale	15	7,500	–
		<u>670,043</u>	<u>724,265</u>
Total liabilities		<u>711,131</u>	<u>774,765</u>
Total equity and liabilities		<u>1,812,657</u>	<u>1,847,152</u>
Net current assets		<u>687,539</u>	<u>630,051</u>
Total assets less current liabilities		<u>1,142,614</u>	<u>1,122,887</u>



Unaudited Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Equity holders					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 2006	73,466	281,212	(45,722)	692,382	
Change in fair value of available- for-sales financial assets	-	-	10,022	-	-	10,022
Currency translation differences	-	-	494	-	13	507
Net income recognised directly in equity	-	-	10,516	-	13	10,529
Profit for the period	-	-	-	31,932	(3,457)	28,475
Total recognised income/ (expense) for the period	-	-	10,516	31,932	(3,444)	39,004
2005 final dividend paid	-	-	-	(11,755)	-	(11,755)
Employee share-based benefits	-	-	1,094	-	796	1,890
	-	-	1,094	(11,755)	796	(9,865)
At 30th June 2006	73,466	281,212	(34,112)	712,559	68,401	1,101,526

Unaudited Consolidated Statement of Changes in Equity (continued)

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	Equity holders					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 2005	70,439	131,700	(30,327)	645,224	
Change in fair value of available- for-sales financial assets	–	–	(10,550)	–	–	(10,550)
Impairment loss of available- for-sales financial assets	–	–	5,789	–	–	5,789
Currency translation differences	–	–	204	–	–	204
Net expense recognised directly in equity	–	–	(4,557)	–	–	(4,557)
Profit for the period	–	–	–	234,049	(1,068)	232,981
Total recognised (expense)/ income for the period	–	–	(4,557)	234,049	(1,068)	228,424
Issue of new shares	3,844	179,302	–	–	–	183,146
2004 final dividend paid	–	–	–	(91,368)	–	(91,368)
Acquisition of subsidiary	–	–	–	–	76,483	76,483
	3,844	179,302	–	(91,368)	76,483	168,261
At 30th June 2005	74,283	311,002	(34,884)	787,905	75,415	1,213,721



Midland Holdings Limited

Unaudited Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2006

	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Net cash generated from operating activities	63,025	169,051
Net cash used in investing activities	(18,791)	(85,052)
Net cash (used in)/generated from financing activities	<u>(26,154)</u>	<u>119,722</u>
Net increase in cash and cash equivalents	18,080	203,721
Cash and cash equivalents at beginning of period	365,390	396,050
Effect of foreign exchange rate changes	<u>507</u>	<u>204</u>
Cash and cash equivalents at end of period	<u>383,977</u>	<u>599,975</u>
Analysis of balances of cash and cash equivalents:		
Cash at bank and in hand	122,987	382,819
Short-term bank deposits	274,251	235,915
Bank overdrafts	<u>(13,261)</u>	<u>(18,759)</u>
	<u>383,977</u>	<u>599,975</u>

Notes to the Condensed Consolidated Financial Statements

1. General information

The Group principally engaged in provision of property brokerage services in Hong Kong, the Mainland China and Macau. The Group has more than 470 branches in Hong Kong, Macau and Mainland China. The Company is a limited liability company incorporated in Bermuda and listed on the Main Board at the Stock Exchange. The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and its principal office in Hong Kong is Rooms 2505-8, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong.

2. Basis of preparation and accounting policies

The unaudited financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value, and also presented in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Listing Rules.

These financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those adopted in the 2005 annual financial statements. For the Interim Period, the Group has also applied, for the first time, a number of new standards, amendments and interpretations under Hong Kong Financial Reporting Standards (“HKFRS”) that are effective for the accounting periods beginning on or after 1st January 2006. The adoption of these new standards has no material impact to the accounting policies of the Group.

Certain new standards, amendments and interpretations under HKFRS have been issued but are not effective for 2006 and these have not been early adopted by the Group.

3. Turnover and segment information

Turnover represents agency fee revenue earned from provision of property brokerage services.

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



Midland Holdings Limited

Notes to the Condensed Consolidated Financial Statements

3. Turnover and segment information (continued)

Other operations of the Group mainly comprise immigration consultancy services, web advertising services, advertising services and valuation business.

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

	Six months ended 30th June 2006						Total HK\$'000
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Corporate and elimination HK\$'000	
Turnover							
External sales	782,899	131,568	-	-	-	-	914,467
Other revenues							
External sales	-	-	1,723	12,558	6,678	-	20,959
Inter-segment sales	-	-	5,366	-	2,227	(7,593)	-
Segment revenues	<u>782,899</u>	<u>131,568</u>	<u>7,089</u>	<u>12,558</u>	<u>8,905</u>	<u>(7,593)</u>	<u>935,426</u>
Segment results	<u>4,104</u>	<u>27,742</u>	<u>12,096</u>	<u>(9,143)</u>	<u>2,366</u>	<u>12,917</u>	<u>50,082</u>
Unallocated costs							<u>(13,899)</u>
Operating profit before interest income and finance costs							36,183
Net finance income							4,316
Share of profits less losses of jointly controlled entities	(92)	-	-	-	3,149	-	<u>3,057</u>
Profit before income tax							43,556
Income tax expenses							<u>(15,081)</u>
Profit for the period							<u>28,475</u>

Notes to the Condensed Consolidated Financial Statements

3. Turnover and segment information (continued)

Six months ended 30th June 2006							
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Capital expenditure	9,341	808	-	567	16	-	10,732
Depreciation	24,860	2,140	90	501	59	77	27,727
Amortisation	-	-	896	4,952	-	255	6,103
Impairment charges	-	-	-	131	-	-	131
Other non-cash expenses/(income)	34,936	11,160	(6,833)	2	(43)	-	39,222

At 30th June 2006							
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Corporate and elimination HK\$'000	Total HK\$'000
Segment assets	948,122	102,167	191,905	156,493	22,095	-	1,420,782
Interests in jointly controlled entities	444	-	-	-	13,313	-	13,757
Unallocated assets							364,857
Total assets							1,799,396
Segment liabilities	548,112	62,699	1,171	5,581	6,777	-	624,340
Unallocated liabilities							73,530
Total liabilities							697,870



Midland Holdings Limited

Notes to the Condensed Consolidated Financial Statements

3. Turnover and segment information (continued)

	Six months ended 30th June 2005						
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Corporate and elimination HK\$'000	Total HK\$'000
Turnover							
External sales	1,227,841	181,826	-	-	-	-	1,409,667
Other revenues							
External sales	-	-	2,736	4,425	4,218	-	11,379
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>4,425</u>	<u>5,969</u>	<u>(6,920)</u>	<u>1,421,046</u>
Segment results	<u>217,292</u>	<u>44,598</u>	<u>13,439</u>	<u>(6,066)</u>	<u>1,815</u>	<u>43,459</u>	<u>314,537</u>
Unallocated costs							<u>(46,838)</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 income tax							273,249
Income tax expenses							<u>(40,268)</u>
Profit for the period							<u>232,981</u>

Notes to the Condensed Consolidated Financial Statements

3. Turnover and segment information (continued)

	Six months ended 30th June 2005							
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000		Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Capital expenditure	41,677	1,756	59,878	1,526	124	–	104,961	
Depreciation	17,735	1,354	75	252	54	61	19,531	
Amortisation	–	–	1,565	2,472	–	171	4,208	
Impairment charges	–	–	–	3,579	5,789	–	9,368	
Other non-cash expenses/(income)	60,663	14,323	(7,733)	81	(16)	–	67,318	

	At 31st December 2005							
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000		Property leasing HK\$'000	Internet education services HK\$'000	Others HK\$'000	Corporate and elimination 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	



Notes to the Condensed Consolidated Financial Statements

3. Turnover and segment information (continued)

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.

4. Other income, net

	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Bank interest income	5,811	2,836
Dividend income from listed investments	1,484	1,103
Fair value gains on investment properties	6,833	7,733
Impairment of available-for-sale financial assets	–	(5,789)
Net realised and unrealised gains on financial assets at fair value through profit or loss	194	751
	<u>14,322</u>	<u>6,634</u>

5. Operating profit

Operating profit is arrived at after charging:

	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Impairment of goodwill	–	3,579
Impairment of property, plant and equipment	131	–
Provision for bad and doubtful debts	46,055	75,051
Loss on disposal of property, plant and equipment	2,851	164
	<u>49,037</u>	<u>78,794</u>

Notes to the Condensed Consolidated Financial Statements

6. Finance costs

	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Interest on bank loans and overdrafts	<u>1,495</u>	<u>997</u>

7. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30th June 2005: 17.5%) on the estimated assessable profit for the Interim Period. Taxation on overseas profits has been calculated on the estimated assessable profit for the Interim Period at the rates of taxation prevailing in the countries in which the Group operates.

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

	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Current taxation		
Hong Kong profits tax	12,488	37,208
Overseas taxation	45	38
Deferred taxation	<u>2,548</u>	<u>3,022</u>
	<u>15,081</u>	<u>40,268</u>

Share of a jointly controlled entity's taxation for the Interim Period of HK\$648,000 (six months ended 30th June 2005: HK\$842,000) is included in the unaudited consolidated income statement as share of profits less losses of jointly controlled entities.



Midland Holdings Limited

Notes to the Condensed Consolidated Financial Statements

8. 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.

	30.6.2006	30.6.2005
	HK\$'000	HK\$'000
Profit attributable to equity holders	<u>31,932</u>	<u>234,049</u>
Weighted average number of ordinary shares in issue (thousands)	<u>734,663</u>	<u>723,079</u>
Basic earnings per share (HK cents per share)	<u>4.35</u>	<u>32.37</u>

Notes to the Condensed Consolidated Financial Statements

8. Earnings per share (continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary 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 the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have issued assuming the exercise of the share options.

	30.6.2006 HK\$'000
Profit attributable to equity holders	31,932
Weighted average number of ordinary shares in issue (thousands)	734,663
Adjustment for assumed conversion of share options (thousands)	1,534
Weighted average number of ordinary shares for diluted earnings per share (thousands)	736,197
Diluted earnings per share (HK cents per share)	4.34

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

9. Interim dividend

	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Interim dividend proposed of HK\$0.028 (six months ended 30th June 2005: HK\$0.10) per ordinary share	20,571	74,283



Notes to the Condensed Consolidated Financial Statements

10. Capital expenditure

	Goodwill HK\$'000	Website costs and databases HK\$'000	Total intangible assets HK\$'000	Property, plant and equipment HK\$'000	Investment properties HK\$'000	Leasehold land and land use rights HK\$'000
Opening net book amount as at 1st January 2006	24,340	22,244	46,584	119,813	99,670	123,482
Additions	-	-	-	10,732	-	-
Disposals	-	-	-	(2,834)	(1,540)	-
Transfer	-	-	-	415	(6,333)	5,918
Transfer to assets held for sale	-	-	-	(1,551)	-	(20,815)
Impairment charges	-	-	-	(131)	-	-
Depreciation/amortisation	-	(4,952)	(4,952)	(27,727)	-	(1,151)
Change in fair value	-	-	-	-	6,833	-
Closing net book amount as at 30th June 2006	24,340	17,292	41,632	98,717	98,630	107,434
Opening net book amount as at 1st January 2005	-	-	-	75,794	51,449	100,123
Acquisition of subsidiary	29,750	29,659	59,409	1,451	-	-
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	-
Closing net book amount as at 30th June 2005	26,171	27,187	53,358	101,182	119,060	98,387
Additions	-	-	-	47,648	-	5,963
Disposals	-	-	-	(1,355)	-	-
Transfer	-	-	-	1,572	(22,500)	20,928
Impairment charges	(1,831)	-	(1,831)	-	-	-
Depreciation/amortisation	-	(4,943)	(4,943)	(29,350)	-	(1,796)
Change in fair value	-	-	-	-	3,110	-
Currency translation differences	-	-	-	116	-	-
Closing net book amount as at 31st December 2005	24,340	22,244	46,584	119,813	99,670	123,482

Notes to the Condensed Consolidated Financial Statements

11. 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. At 30th June 2006, the aging analysis of the Group's accounts receivable was set out as follows:

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
Not yet due	658,002	742,547
Within 30 days	34,164	24,237
31 – 60 days	30,768	11,678
61 – 90 days	11,422	11,540
Over 90 days	19,422	26,184
	<u>753,778</u>	<u>816,186</u>



Midland Holdings Limited

Notes to the Condensed Consolidated Financial Statements

12. Share capital

(a) Share capital and share premium

	Number of shares	Ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1st January 2005	704,390,000	70,439	131,700	202,139
Issue of shares	38,439,425	3,844	183,356	187,200
New share issue expenses	—	—	(4,054)	(4,054)
At 30th June 2005	742,829,425	74,283	311,002	385,285
Cancellation of repurchased shares	(8,166,000)	(817)	(29,790)	(30,607)
At 31st December 2005 and 30th June 2006	<u>734,663,425</u>	<u>73,466</u>	<u>281,212</u>	<u>354,678</u>

The total authorised number of ordinary share is 1,000,000,000 shares (31st December 2005: 1,000,000,000 shares) with a par value of HK\$0.10 per share (31st December 2005: HK\$0.10 per share). All issued shares are fully paid.

Notes to the Condensed Consolidated Financial Statements

12. Share capital (continued)

(b) Share options

The Company

At the special general meeting of the Company held on 30th April 2002, an ordinary resolution was duly passed under which a share option scheme (“2002 Share Option Scheme”) was adopted and approved by the shareholders of the Company. Under the terms of the 2002 Share Option Scheme, the Board may, at their discretion, grant to any eligible persons including directors, employees, customers, consultants, advisors or agents to and of any member of the Group or any invested entity, share options to subscribe for Company’s shares at the subscription price not less than the highest of (i) closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company. Upon acceptance of the offer, the grantee shall pay HK\$1 to the Company as consideration for the grant.

EVI

On 6th June 2005, EVI, the Company’s non-wholly owned subsidiary, adopted a new share option scheme (“2005 EVI Share Option Scheme”) pursuant to an ordinary resolution. Pursuant to the 2005 EVI Share Option Scheme, EVI may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of EVI and its subsidiaries (collectively, the “EVI Group”), or any other eligible persons, who, as determined by the directors of EVI, have contributed or will contribute to the growth and development of the EVI Group to subscribe for shares of EVI, subject to a maximum of 10% of the nominal value of the issued share capital of EVI from at the adoption time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the directors of EVI, and will not be less than the higher of: (i) the nominal value of the EVI shares; (ii) the average of the closing price of the shares of EVI quoted on The Growth Enterprise Market (“GEM”) of the Stock Exchange on the five trading days immediately preceding the date of offer of the options; or (iii) the closing price of the shares quoted on the GEM of the Stock Exchange on the date of offer of the options, which must be a business day as defined in GEM Listing Rules. The 2005 EVI Share Option Scheme will remain in force for a period of 10 years commencing from 6th June 2005.

Particulars and movements of share options which were granted under the 2002 Share Option Scheme and 2005 EVI Share Option Scheme are set out on pages 11 and 12 of this report.



Midland Holdings Limited

Notes to the Condensed Consolidated Financial Statements

13. Borrowings

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Non-current		
Secured bank loans	38,618	48,508
Current		
Bank overdrafts	13,261	11,312
Secured bank loans	8,839	20,848
	22,100	32,160
Total	60,718	80,668

The maturity of borrowings is as follows:

	Bank overdrafts		Secured bank loans	
	30.6.2006 HK\$'000	31.12.2005 HK\$'000	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Within 1 year	13,261	11,312	8,839	20,848
Between 1 and 2 years	–	–	5,890	7,001
Between 2 and 5 years	–	–	17,668	21,002
Wholly repayable within 5 years	13,261	11,312	32,397	48,851
Over 5 years	–	–	15,060	20,505
	13,261	11,312	47,457	69,356

Notes to the Condensed Consolidated Financial Statements

14. 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 2006, the accounts payable included HK\$72,457,126 (31st December 2005: HK\$48,814,407) commissions payable which were due for payment within 30 days. All the remaining accounts payable were not yet due.

15. Assets/liabilities held for sale

In May 2006, the Group decided to dispose of an office with a net book value of HK\$22,366,000 as at 30th June 2006. Such disposal was completed in July 2006 and the related secured loan of HK\$7,500,000 was then repaid. Accordingly, the assets and liabilities related to this office were presented as assets/liabilities held for sale.

16. Contingent liabilities

During the Interim Period, the Company executed corporate guarantee 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.

17. 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 financial statements to cover any potential liabilities arising from the litigations.



Midland Holdings Limited

Notes to the Condensed Consolidated Financial Statements

18. Related party transactions

The Group had the following material transactions with related parties during the Interim Period and balances with related parties at the end of the period/year:

(a) Transactions with related parties

	Note	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Rendering of services:			
Agency fee income received from related companies	(i)	1,034	79
Receiving of services:			
Commission paid to jointly controlled entities	(ii)	8	66
Operating lease rentals in respect of office and shop premises	(iii)	<u>2,753</u>	<u>550</u>

(b) Key management compensation

	Note	30.6.2006 HK\$'000	30.6.2005 HK\$'000
Salaries and commission, discretionary bonuses and other benefits	(iv)	<u>14,198</u>	<u>40,891</u>

Notes to the Condensed Consolidated Financial Statements

18. Related party transactions (continued)

(c) Loan to a related party

	Note	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Advance to a jointly controlled entity during the period and at the end of the period/year	(v)	<u>396</u>	<u>396</u>

Notes:

- (i) The amount represents agency fee income received from certain property investment companies, in which, a director has beneficial interests in these companies.
- (ii) Commission paid to jointly controlled entities represents commission paid for property broking transactions referred by jointly controlled entities.
- (iii) Operating lease rentals paid to certain property investment companies, in which, a director has beneficial interests in these companies.
- (iv) The amount represents directors' emolument paid or payable to executive directors for the Interim Period.
- (v) The loan advanced to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.



Midland Holdings Limited

Investor Relations

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Financial Calendar

2006 AGM	20th April 2006
Announcement of interim results	15th September 2006
Book close dates	6th October to 10th October 2006 (both days inclusive)
Payment date for interim dividend	on or around 16th October 2006

Dividends

2006 interim dividend	HK\$0.028 per share
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Share Information

Stock code	1200
Board lot	2,000 shares

Shareholder Services

Abacus Share Registrars Limited, our Hong Kong Share Registrar, can help you with a variety of shareholder-related services including:

1. change of address
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Interim Report

Our interim report is available online at our corporate website at www.midland.com.hk