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MIDLAND HOLDINGS LIMITED

美聯集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1200)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the “Board” or the “Directors”) of Midland Holdings Limited (“Midland” or the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2010 (the “Interim Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

		Six months ended 30 June	
		2010	2009
	Note	HK\$'000	HK\$'000
Revenues	3	1,757,789	1,543,661
Other income	4	8,745	15,078
Staff costs		(988,974)	(838,584)
Rebate commissions		(39,632)	(27,097)
Advertising and promotion expenses		(122,349)	(90,565)
Operating lease charges in respect of office and shop premises		(140,154)	(125,327)
Impairment of receivables		(44,507)	(38,368)
Depreciation and amortisation costs		(16,143)	(17,555)
Other operating costs		(119,589)	(92,631)
Operating profit	5	295,186	328,612
Finance income		1,458	1,319
Finance costs		(348)	(685)
Share of results of			
Jointly controlled entities		11,396	5,109
An associated company		312	1,386
Profit before taxation		308,004	335,741
Taxation	6	(52,376)	(58,164)
Profit for the period		255,628	277,577

* For identification purposes only

	Note	Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Profit for the period attributable to:			
Equity holders		243,859	272,428
Non-controlling interests		11,769	5,149
		<u>255,628</u>	<u>277,577</u>
Dividends	7	<u>194,094</u>	<u>272,311</u>
Earnings per share	8	HK cents	HK cents
Basic		<u>33.67</u>	<u>37.62</u>
Diluted		<u>33.67</u>	<u>37.62</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Comprehensive income		
Profit for the period	255,628	277,577
	-----	-----
Other comprehensive income		
Currency translation differences	2,247	(3,379)
Change in fair value of properties upon transfer to investment properties	6,652	2,774
Change in fair value of available-for-sale financial assets	(309)	(885)
	<u> </u>	<u> </u>
	8,590	(1,490)
	-----	-----
Total comprehensive income for the period	<u>264,218</u>	<u>276,087</u>
Total comprehensive income for the period attributable to:		
Equity holders	252,449	270,938
Non-controlling interests	<u>11,769</u>	<u>5,149</u>
	<u>264,218</u>	<u>276,087</u>

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30 JUNE 2010

		As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000 (Restated)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		153,063	150,495
Investment properties		62,410	54,870
Land use rights		–	23,426
Interests in jointly controlled entities		45,464	48,068
Interests in an associated company		1,274	4,162
Available-for-sale financial assets		11,541	11,851
Deferred taxation assets		14,245	10,840
		<u>287,997</u>	<u>303,712</u>
Current assets			
Trade and other receivables	9	1,059,529	1,114,268
Financial assets at fair value through profit or loss		156	174
Cash and bank balances		1,590,632	1,477,419
		<u>2,650,317</u>	<u>2,591,861</u>
Assets held for sale		24,229	13,000
		<u>2,674,546</u>	<u>2,604,861</u>
Total assets		<u>2,962,543</u>	<u>2,908,573</u>

		As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000 (Restated)
	Note		
EQUITY AND LIABILITIES			
Equity holders			
Share capital		72,423	72,423
Share premium		247,484	247,484
Reserves		1,160,201	1,101,846
Proposed dividend		194,094	317,213
		<u>1,674,202</u>	<u>1,738,966</u>
Non-controlling interests		<u>87,090</u>	<u>75,321</u>
Total equity		<u>1,761,292</u>	<u>1,814,287</u>
Non-current liabilities			
Bank loans		12,237	20,578
Deferred taxation liabilities		897	967
		<u>13,134</u>	<u>21,545</u>
Current liabilities			
Trade and other payables	10	1,076,399	1,008,259
Bank loans		851	1,915
Amount due to an associated company		500	3,200
Taxation payable		110,367	59,367
		<u>1,188,117</u>	<u>1,072,741</u>
Total liabilities		<u>1,201,251</u>	<u>1,094,286</u>
Total equity and liabilities		<u>2,962,543</u>	<u>2,908,573</u>
Net current assets		<u>1,486,429</u>	<u>1,532,120</u>
Total assets less current liabilities		<u>1,774,426</u>	<u>1,835,832</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

1 General information

The Company is a limited liability company incorporated in Bermuda and listed on the Main Board at The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and its principal office in Hong Kong is Rooms 2505-2508, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group are provision of property agency services in Hong Kong, Mainland China and Macau.

This unaudited condensed consolidated interim financial information was approved by the Board on 25 August 2010.

2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared under the historical cost convention as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2009 except that the Group has adopted the following revised standards and amendments to standards issued by the HKICPA which are relevant to its operations and mandatory for the financial year ending 31 December 2010.

(a) Revised standards and amendments to standards effective in 2010

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 17 Amendment	Leases
HKAS 18 Amendment	Revenue
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 5 Amendment	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8 Amendment	Operating Segments

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

- (a) HKFRS 3 (Revised) "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the income statement. All acquisition-related costs should be expensed. The adoption of this revised standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.
- (b) HKAS 27 (Revised) "Consolidated and Separate Financial Statements". The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the income statement. Also, additional guidance given on linked transactions. The adoption of this amendment to standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.
- (c) HKAS 17 Amendment, "Leases". It deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term.

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

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

- (i) If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term; and
- (ii) If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property and carried at fair value.

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

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Decrease in leasehold land and land use rights	(71,737)	(72,324)
Increase in property, plant and equipment	71,737	72,324

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

The HKICPA has issued a number of new and revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1 January 2010. The Group has not early adopted these new and revised standards, interpretations and amendments to standards.

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June 2010 HK\$'000	2009 HK\$'000
Turnover		
Agency fee	1,723,527	1,519,599
Rental from investment properties	1,650	2,937
Immigration consultancy services	18,943	10,499
Other services	13,669	10,626
	1,757,789	1,543,661

(b) **Segment information**

The chief operating decision makers have been identified as the executive directors of the Company (the “Executive Directors”). The Executive Directors review the Group’s internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

Management assesses the performance based on the nature of the Group’s business, principally located in Hong Kong, Mainland China and Macau, which comprises property agency businesses for residential, commercial and industrial properties and shops, and other businesses mainly include property leasing and immigration consultancy services.

	Six months ended 30 June 2010			
	Property agency			
	Residential properties HK\$’000	Commercial and industrial properties and shops HK\$’000	Others HK\$’000	Total HK\$’000
Total revenues	1,494,012	254,534	39,498	1,788,044
Inter-segment revenues	(15,305)	(9,714)	(5,236)	(30,255)
Revenues from external customers	1,478,707	244,820	34,262	1,757,789
Segment results	286,611	35,903	30,458	352,972
Impairment of receivables	(31,987)	(12,287)	(233)	(44,507)
Depreciation and amortisation costs	(13,758)	(1,013)	(1,005)	(15,776)
Share of results of				
– jointly controlled entities	–	–	11,396	11,396
– an associated company	–	–	312	312
Fair value gains on investment properties	–	–	5,590	5,590
Fair value gains on assets held for sale	–	–	330	330
Additions to non-current assets	21,419	916	20	22,355

Six months ended 30 June 2009

	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	1,379,767	159,868	29,695	1,569,330
Inter-segment revenues	(13,619)	(6,417)	(5,633)	(25,669)
Revenues from external customers	1,366,148	153,451	24,062	1,543,661
Segment results	308,155	38,704	32,583	379,442
Impairment of receivables	(33,553)	(4,815)	–	(38,368)
Depreciation and amortisation costs	(15,329)	(1,006)	(1,220)	(17,555)
Share of results of				
– jointly controlled entities	(82)	–	5,191	5,109
– an associated company	–	–	1,386	1,386
Fair value gains on investment properties	–	–	5,120	5,120
Additions to non-current assets	3,683	30,410	–	34,093

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss, finance income, finance costs and taxation are not included in the segment results.

Revenues between segments arose from transactions which are carried out on terms with reference to market practice. Revenues from external customers reported to the Executive Directors are measured in a manner consistent with that in the consolidated income statement.

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

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Segment results for reportable segments	352,972	379,442
Corporate expenses	(46,060)	(49,268)
Net realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	(18)	4,933
Finance income	1,458	1,319
Finance costs	(348)	(685)
Profit before taxation per consolidated income statement	308,004	335,741

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

As at 30 June 2010

	Property agency			
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	1,352,772	420,447	190,873	1,964,092
Segment assets include:				
Interests in jointly controlled entities	–	–	45,464	45,464
Interests in an associated company	–	–	1,274	1,274
Segment liabilities	984,275	144,279	20,107	1,148,661

As at 31 December 2009

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

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Segment assets	1,964,092	1,864,673
Corporate assets	972,509	1,021,035
Deferred taxation assets	14,245	10,840
Financial assets at fair value through profit or loss	156	174
Available-for-sale financial assets	11,541	11,851
Total assets per the consolidated balance sheet	2,962,543	2,908,573

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Segment liabilities	1,148,661	1,012,524
Corporate liabilities	51,693	80,795
Deferred taxation liabilities	897	967
Total liabilities per the consolidated balance sheet	1,201,251	1,094,286

4 Other income

	Six months ended 30 June 2010 HK\$'000	2009 HK\$'000
Dividend income from listed investments	–	4
Fair value gains on investment properties	5,590	5,120
Fair value gains on assets held for sale	330	–
Net realised and unrealised gains on financial assets at fair value through profit or loss	–	4,933
Gains on disposal of investment properties	–	5,021
Gain on disposal of a subsidiary	2,719	–
Gains on disposal of assets held for sale	106	–
	8,745	15,078

5 Operating profit

Operating profit is arrived at after charging:

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Loss on disposal of property, plant and equipment	1,326	2,210
Unrealised losses on financial assets at fair value through profit or loss	18	–

6 Taxation

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current		
Hong Kong profits tax	55,785	62,542
Overseas	–	1,412
Deferred	(3,409)	(5,790)
	<u>52,376</u>	<u>58,164</u>

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2009: 16.5%) 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.

7 Dividends

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Interim dividend declared of HK\$0.268 (2009: HK\$0.176) per ordinary share	194,094	127,465
Special cash bonus of HK\$Nil (2009: HK\$0.200) per ordinary share	–	144,846
	<u>194,094</u>	<u>272,311</u>

8 Earnings per share

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

	Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Profit attributable to equity holders	243,859	272,428
Number of shares for calculation of basic earnings per share (thousands)	724,231	724,231
Effect on conversion of share options (thousands)	–	–
Number of shares for calculating diluted earnings per share (thousands)	724,231	724,231
Basic earnings per share (HK cents)	33.67	37.62
Diluted earnings per share (HK cents)	33.67	37.62

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

In calculating the diluted earnings per share the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted earnings per share for the six months ended 30 June 2010 and 2009 did not assume the exercise of share options outstanding during the period since the exercise of share options would have an anti-dilutive effect.

9 Trade and other receivables

The trade receivables mainly represent agency fee receivables from customers whereby no general credit facilities are available. The customers are obliged to settle the amounts upon the completion of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	As at 30 June 2010 HK\$'000	As at 31 December 2009 HK\$'000
Not yet due	730,030	807,730
Less than 30 days	54,668	56,310
31-60 days	35,281	34,176
61-90 days	23,069	22,904
Over 90 days	44,291	35,417
	887,339	956,537

10 Trade and other payables

The trade payables and commissions payable include principally the commissions payable to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$124,663,000 (as at 31 December 2009: HK\$71,885,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW

The Group is pleased to announce results that met expectations for the first half of 2010. In the six months ended 30 June 2010, revenue rose 14% to HK\$1,757,789,000 from the year before while net profit decreased 8% to HK\$255,628,000.

The first half was full of challenges again for the world's economy. For a while, it looked as if the Euro Zone's credit crisis would threaten the fragile recovery in the rest of the world. But Hong Kong's economic recovery was on track, as the growth in the gross domestic product for the first half and a steady decline in jobless rate indicated. In the first half, the property market also put on a strong performance as both prices and transaction volume took off. While the interbank rates headed higher at one point, they obviously softened lately. Low borrowing costs, therefore, are the major factor supporting the local property market. In view of the improvement in economy, there was an increase in overall costs of the Group in the first six months, however, the Group considered this as a challenge and strived for excellence.

High demand raises transaction volume

The property market put on a strong performance in the first quarter, with property prices clearly on an uptrend. Although the Government's proclamation of the "nine measures and twelve tactics" to restrict home sales in the primary market triggered a downward adjustment from late April to May, activities picked up again in early June, following the public auction of the Homantin lot for HK\$10.9 billion. Since then, sales of residential properties in both the primary and secondary markets picked up noticeably.

The entire residential property market has had a good year so far. Among the different segments, the small to mid-sized segment decidedly outperformed. While the relatively smaller price increases of that segment may have helped, an upturn in Hong Kong's economy is the real driver. The desire among home buyers to own property has been fanned by low interest rates and the lack of an outlet for capital investment. Since its implementation, the Capital Investment Entrant Scheme has done its fair share to attract immigrants to buy homes here to qualify for a residency. Data released by the Immigration Department show that in the first half of 2010, the number of applications under that scheme jumped 97% from the year-ago level. As both local and offshore demand increased, the Hong Kong property market was able to pick up momentum in the first half. As a result, the Group's performance also improved. On the other hand, dampened by a number of government measures, the mainland property market slowed. Thus by comparison, the Group's mainland operations did not do as well.

More land supply aids market

Doubtless, home prices have increased considerably, given the low-interest-rate environment. The Group welcomes the Government's move to stabilise property prices and to increase the supply of land to ease the upward pressure on pricing. The Group also fully supports the Government's new initiatives to update the guidelines and improve the sales procedures of properties in the primary market.

Group continues to expand, promote

Although residential property prices continued on an uptrend during the first half, the transaction volume fluctuated noticeably. We took up the challenge as nearly 40 years of experience in the estate broking industry has given us a good handle on how to confront changing market conditions and apply different strategies to meet the changes.

To keep pace with the market, the Group took appropriate steps to recruit human resources and expand the branch network in the first half. In overall operations, the Group focused on maintaining flexibility, adopting multiple prongs in marketing. Most notable was a series of well-received seminars we hosted for investors. The first seminar entitled “A Comprehensive Strategy on Properties, Stocks and Mortgaging” and held at the Hong Kong Convention and Exhibition Centre in March, drew an audience of more than 1,800. In May, we held a seminar on properties and mortgages for both the Hong Kong and Macau markets. In June, the third seminar to shed light on trends in properties, stocks and mortgaging for the second half was in such demand that we had to add sessions. We believe that the high attendance was testimony of public support for the Group as well as trust in our vision. Our leadership position was thus firmly established. In July, we launched an advertising campaign to remind the Government of the need to increase land supply, using the theme of “increasing land supply to prevent further inflating the property bubble”. We are pleased to see the Government offered three residential lots for public auction in August.

The Group won a number of awards in the reporting period. Ms. Wong Ching Yi, Angela, the Executive Director, won the first “2010 Entrepreneurs of Tomorrow”; Quamnet named the Group the “Outstanding Property Agency 2009”. Meanwhile, a number of our sales agents won awards for outstanding performance in the 42nd Distinguished Salesperson Award. Same as for 2008, Henderson Land awarded the Group a gold medal to recognize its efforts in brokering sales of new residential units during 2009. These, plus a number of merit awards for sales of residential units in the primary market, once again reflect the Group’s top spot in the market.

OUTLOOK

Following a slew of measures by various governments to stimulate exports and prop domestic output, the global economy appears to be emerging from the doldrums. However, the pace of growth in Western developed countries clearly has lagged behind that of China and other developing markets. In other words, the economic recovery worldwide remains fragile and tentative.

Expect steady growth but watch out for policy changes

Hong Kong is fortunate to have the advantage of an economically viable hinterland. More and more mainland Chinese visitors are likely to shop and spend in the city. Similarly, a rising number of mainland Chinese who have obtained residency in a foreign country is likely to “immigrate” to Hong Kong and buy homes in the process. The listing of the Bank of Agriculture of China in July logged the largest initial public offering ever, reinforcing Hong Kong’s position as an international financial centre. As the economies of Hong Kong and the mainland integrate further, more and more opportunities will open up in the city.

The Group believes that as long as interest rates remain low and ample liquidity continues, the outlook for the local property market will be bright. The desire to own homes and to upgrade living conditions is getting stronger among Hong Kong people. The demand among investors is also on the rise. Although the rental returns on residential properties, including luxury units, are not that attractive, investors are likely to continue playing the market, as long as liquidity remains ample and the outlet for capital inflow remains limited. However, one must bear in mind that the currency policies of different countries have a direct impact on capital flow. If the flow of capital takes a different turn, the local property scene is likely to be affected. Along this line, the Group welcomes the Government’s recent moves to impose a ceiling on residential mortgage financing and to restrict investment-related home sales. We believe that such policies will help reduce speculative activities and put the residential property market back on track for steady growth.

Increasing land supply, especially the type for luxury homes, is likely to be the most effective among various Government policies. We shall keep our eyes on possible new government policies both locally and overseas.

Expand on cautious optimism

In line with our cautiously optimistic view, we shall continue with our strategy of optimal expansion in the next six months. Besides either enlarging the premises or adding outlets in prime locations, we shall continue to ride on the Midland name to attract talents to our ranks so as to upgrade and strengthen our competitiveness. While keeping an eye on how overseas monetary policies and local property policies may affect our operating environment, we shall use proven strategies and tactics to increase our share in the property market.

We also believe that a creative and flexible *modus operandi* further reinforces our forte. Faced with intensive competition in the marketplace, we value a lot the need for marketing. We also will innovate by launching value-added services to shore up our position and ensure our undisputable leadership. Along this line, as a token of appreciation for public support and also as an educational tool, we produced recently an informative DVD entitled “Looking Beyond – the Property Market Series” as a give-away. The DVD features insightful analysis of the property market, the mortgage mechanism and related legal issues by a number of experts in various fields. The response to the gift item was overwhelming. It is also proof that marketing through multiple media does pay off to raise the Group’s public profile and to benefit business overall.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding

As at 30 June 2010, the Group had bank balances and cash of HK\$1,590,632,000, whilst bank loans amounted to HK\$13,088,000. The Group’s bank loans were secured by certain leasehold land and buildings held by the Group of HK\$27,812,000 and with maturity profile set out as follows:

Repayable	HK\$’000
Within 1 year	851
After 1 year but within 2 years	869
After 2 years but within 5 years	2,710
Over 5 years	8,658

As at 30 June 2010, the Group had unutilised banking facilities amounting to HK\$221,095,000 from various banks. The Group’s bank balances and cash are deposited in Hong Kong Dollars, United States Dollars, Renminbi and Macau Pataca, and the Group’s bank loans are in Hong Kong Dollars. No currency hedging tool is used. The bank loans and overdraft facilities were granted to the Group on a floating rate basis. As at 30 June 2010, the Group had pledged fixed deposits of HK\$216,000.

As at 30 June 2010, the gearing ratio of the Group was 0.7% (as at 31 December 2009: 1.2%). The gearing ratio is computed on the basis of total bank loans divided by the total equity of the Group.

The Directors are of the view that there are sufficient financial resources to satisfy the Group’s capital commitments and on-going working capital requirements.

Capital Structure and Foreign Exchange Exposure

During the Interim Period, there was no change in the Company's capital structure. The Group generally finances its operations and investing activities with equity holders' funds.

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

Contingent Liabilities

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

Employee Information

As at 30 June 2010, the Group employed 7,540 full time employees of which 6,489 were sales agents, 532 were back office supportive employees and 519 were frontline supportive employees.

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

DIVIDENDS

The Board has resolved to declare an interim dividend of HK\$0.268 per ordinary share for the Interim Period (six months ended 30 June 2009: an interim dividend of HK\$0.176 per ordinary share and a special cash bonus of HK\$0.200 per ordinary share) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at the close of business on Wednesday, 15 September 2010. The interim dividend will be paid on or around Wednesday, 22 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 September 2010 to Wednesday, 15 September 2010, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2010 interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Abacus Limited, not later than 4:30 p.m. on Monday, 13 September 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the Interim Period.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and discussed with the management of the Company the interim report of the Company for the Interim Period. PricewaterhouseCoopers as the Company's auditor has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

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

APPRECIATION

As markets the world over move towards globalisation, the Group sees business opportunities not just in Hong Kong but elsewhere as well. That is all the more reason we place great value on human resources. We recognise employees who are innovative or effective with implementation or simply hard-working. On behalf of other Directors on the Board, let me take this opportunity to express our heart-felt gratitude to our customers, shareholders, and last but not least, the entire management team and each and every worker within the Group. We truly appreciate your support – and in the case of our staff – your devotion.

On Behalf of the Board

Wong Kin Yip, Freddie

Chairman and Managing Director

Hong Kong, 25 August 2010

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