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 2014

The board of directors (the "Board") of Midland Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2014 (the "Interim Period") together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
	Note	**2014**	2013
		HK$'000	*HK$'000*
Revenues	3	**1,869,342**	1,723,761
Other income	4	**1,656**	5,767
Staff costs		**(1,024,430)**	(1,026,631)
Rebate incentives		**(311,361)**	(170,671)
Advertising and promotion expenses		**(43,714)**	(60,838)
Operating lease charges in respect of office and shop premises		**(296,307)**	(304,338)
Impairment of receivables		**(43,396)**	(93,968)
Depreciation and amortisation costs		**(29,741)**	(27,847)
Other operating costs		**(138,551)**	(155,761)
Operating loss	5	**(16,502)**	(110,526)
Finance income		**1,687**	3,189
Finance costs		**(10,379)**	(106)
Share of results of joint ventures		**4,696**	2,817
Loss before taxation		**(20,498)**	(104,626)
Taxation	6	**(12,055)**	15,898
Loss for the period		**(32,553)**	(88,728)

* *For identification purpose only*

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) (Continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Note	**Six months ended 30 June** **2014** ***HK$'000***	2013 *HK$'000*
(Loss)/profit attributable to:			
Equity holders		**(35,782)**	(95,175)
Non-controlling interests		**3,229**	6,447
		(32,553)	(88,728)
Loss per share	8	**HK cents**	HK cents
Basic		**(4.98)**	(13.25)
Diluted		**(4.98)**	(13.25)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Loss for the period	**(32,553)**	(88,728)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**1,378**	(662)
Change in fair value of available-for-sale financial assets	**538**	(551)
	1,916	(1,213)
Total comprehensive loss for the period, net of tax	**(30,637)**	(89,941)
Total comprehensive (loss)/income for the period attributable to:		
Equity holders	**(33,866)**	(96,393)
Non-controlling interests	**3,229**	6,452
	(30,637)	(89,941)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2014

	Note	As at 30 June 2014 HK$'000	As at 31 December 2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**167,085**	189,606
Investment properties		**85,193**	86,049
Land use rights		**1,353**	1,407
Interests in joint ventures		**56,507**	56,431
Available-for-sale financial assets		**14,456**	15,071
Deferred taxation assets		**30,221**	35,920
		354,815	384,484
Current assets			
Trade and other receivables	9	**1,681,236**	1,450,795
Taxation recoverable		**1,541**	3,627
Cash and bank balances		**1,375,782**	1,434,300
Pledged bank deposit		**3,400**	-
		3,061,959	2,888,722
Total assets		**3,416,774**	3,273,206

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (Continued)
AS AT 30 JUNE 2014

	Note	As at 30 June 2014 HK$'000	As at 31 December 2013 HK$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**71,805**	71,805
Share premium		**223,505**	223,505
Reserves		**1,008,724**	1,042,590
		1,304,034	1,337,900
Non-controlling interests		**192,877**	189,648
Total equity		**1,496,911**	1,527,548
Non-current liabilities			
Deferred taxation liabilities		**2,871**	2,832
Current liabilities			
Trade and other payables	10	**1,485,750**	1,311,153
Borrowings		**422,576**	424,011
Taxation payable		**8,666**	7,662
		1,916,992	1,742,826
Total liabilities		**1,919,863**	1,745,658
Total equity and liabilities		**3,416,774**	3,273,206
Net current assets		**1,144,967**	1,145,896
Total assets less current liabilities		**1,499,782**	1,530,380

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Company is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group are provision of property agency services in Hong Kong, the People's Republic of China (the "PRC") and Macau.

This unaudited condensed consolidated interim financial information is presented in Hong Kong Dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the board of directors on 26 August 2014.

2 Basis of preparation and significant accounting policies

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared under the historical cost convention as modified by the revaluation of investment properties and available-for-sale financial assets, 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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 2013 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 2014.

2 Basis of preparation and significant accounting policies (continued)

Effect of adopting amendments to standards

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2014. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group, except for certain changes in presentation and disclosures.

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKAS 36 (Amendment)	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014

New standards, amendments to standards and interpretation that have been issued but are not effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvement Projects	Annual Improvements 2010 – 2013 Cycle	1 July 2014

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Turnover		
Agency fee	**1,849,413**	1,693,018
Rental from investment properties	**1,281**	1,730
Web advertising	**108**	118
Internet education and related services	**-**	9,970
Immigration consultancy services	**17,653**	17,890
Other services	**887**	1,035
	1,869,342	1,723,761

(b) Segment information

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

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2014			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total revenues	1,603,294	294,909	24,015	1,922,218
Inter-segment revenues	(38,356)	(10,434)	(4,086)	(52,876)
Revenues from external customers	1,564,938	284,475	19,929	1,869,342
Segment results	(12,369)	6,701	8,277	2,609
Impairment of receivables	29,726	13,670	-	43,396
Depreciation and amortisation costs	23,426	5,265	452	29,143
Share of results of joint ventures	-	-	4,696	4,696
Fair value loss on investment properties	-	-	(103)	(103)
Additions to non-current assets	9,200	920	48	10,168

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2013			
	Property agency			
	Residential properties *HK$'000*	Commercial and industrial properties and shops *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total revenues	1,342,768	409,258	34,709	1,786,735
Inter-segment revenues	(52,070)	(6,938)	(3,966)	(62,974)
Revenues from external customers	1,290,698	402,320	30,743	1,723,761
Segment results	(121,668)	23,716	10,864	(87,088)
Impairment of receivables	57,014	36,954	-	93,968
Depreciation and amortisation costs	23,392	3,289	568	27,249
Share of results of joint ventures	-	-	2,817	2,817
Fair value gain on investment properties	-	-	1,655	1,655
Additions to non-current assets	41,699	5,627	116	47,442

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, unrealised loss on financial assets at fair value through profit or loss, realised gain on available-for-sale financial assets, finance income, finance costs and taxation are not included in the segment results.

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

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Segment results for reportable segments	**2,609**	(87,088)
Corporate expenses	**(14,499)**	(22,970)
Unrealised loss on financial assets at fair value through profit or loss	**-**	(17)
Realised gain on available-for-sale financial assets	**84**	2,366
Finance income	**1,687**	3,189
Finance costs	**(10,379)**	(106)
Loss before taxation per consolidated income statement	**(20,498)**	(104,626)

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, available-for-sale financial assets, all of which are managed on a central basis. The following is total segment assets and liabilities by reporting segments.

	As at 30 June 2014			
	Property agency			
	Residential properties	**Commercial and industrial properties and shops**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**1,498,966**	**821,563**	**171,326**	**2,491,855**
Segment assets include: Interests in joint ventures	**-**	**-**	**56,507**	**56,507**
Segment liabilities	**1,240,183**	**207,645**	**27,778**	**1,475,606**

3 Revenues and segment information (continued)

(b) Segment information (continued)

	As at 31 December 2013			
	Property agency			
	Residential properties	Commercial and industrial properties and shops	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	1,585,208	790,347	196,689	2,572,244
Segment assets include:				
Interests in joint ventures	-	-	56,431	56,431
Segment liabilities	1,051,577	189,138	28,453	1,269,168

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
Segment assets	**2,491,855**	2,572,244
Corporate assets	**880,242**	649,971
Available-for-sale financial assets	**14,456**	15,071
Deferred taxation assets	**30,221**	35,920
Total assets per consolidated balance sheet	**3,416,774**	3,273,206

3 Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
Segment liabilities	**1,475,606**	1,269,168
Corporate liabilities	**441,386**	473,658
Deferred taxation liabilities	**2,871**	2,832
Total liabilities per consolidated balance sheet	**1,919,863**	1,745,658

Geographical information:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong and Macau	**1,553,544**	1,384,764
PRC	**315,798**	338,997
Revenues from external customers	**1,869,342**	1,723,761

Revenues are attributed to locations where the transactions took place.

4 Other income

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Fair value (loss)/gain on investment properties	**(103)**	1,655
Gain on disposal of investment properties	**-**	567
Realised gain on available-for-sale financial assets	**84**	2,366
Others	**1,675**	1,179
	1,656	5,767

5 Operating loss

Operating loss is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**1,746**	271
Unrealised loss on financial assets at fair value through profit or loss	**-**	17

6 Taxation

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**3,715**	5,943
Overseas	**2,832**	696
Deferred	**5,508**	(22,537)
	12,055	(15,898)

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) 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.

7 Dividends

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Interim dividend declared of nil (2013: nil) per share	-	-

The Board does not declare an interim dividend for the Interim Period (six months period ended 30 June 2013: Nil).

8 Loss per share

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Loss attributable to equity holders	**(35,782)**	(95,175)
Number of shares for calculation of basic earnings per share (thousands)	**718,046**	718,046
Effect on conversion of share options (thousands)	**-**	-
Number of shares for calculation of diluted earnings per share (thousands)	**718,046**	718,046
Basic loss per share (HK cents)	**(4.98)**	(13.25)
Diluted loss per share (HK cents)	**(4.98)**	(13.25)

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

In calculating the diluted loss 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 market 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 loss per share for both periods did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

9 Trade and other receivables

Trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
Not yet due	**1,168,367**	1,053,958
Less than 30 days	**108,927**	34,703
31 to 60 days	**45,845**	36,841
61 to 90 days	**46,049**	9,736
Over 90 days	**29,094**	33,700
	1,398,282	1,168,938

The Group's trade and other receivables are mainly denominated in Hong Kong Dollars and Renminbi.

10 Trade and other payables

Commissions payable include mainly commissions payable to property consultants, co-operative estate agents and clients, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK$164,992,000 (as at 31 December 2013: HK$110,125,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

The Group's trade and other payables are mainly denominated in Hong Kong Dollars and Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's financial results improved in the first half of the year. For the six months ended 30 June 2014, the Group recorded a loss attributable to equity holders of HK$35,782,000, down 62.4% from the corresponding period in 2013. The reduction in loss is primarily due to the following factors: (1) primary residential sales transactions in Hong Kong posted an appreciable increase during the first half of 2014; (2) Midland Realty has strengthened its market position in the primary residential market in Hong Kong; and (3) the Group has stepped up its efforts in the implementation of cost control programs.

According to the figures from Land Registry, the value and volume of property sales registrations in Hong Kong recorded a year-on-year decline of 14.1% and 12.5% respectively during the reporting period. However, the Group's revenue rose 8.4% over the same period of time. This increase in revenue is mainly attributed to the revival of the local primary residential sector. All the above also helped turn the results of Midland Realty (operating as "美聯物業") from loss making to profit making. The sector's solid performance in the second half of last year, primary residential sales have heated up further since May 2014 as the government fine-tuned its housing policies. The primary residential sector outperformed the overall property market by posting a significant year-on-year growth in both number and value of property sales registrations in the first six months of 2014.

Slowdown in the China property market affected the Group's revenue from Mainland during the period under review. One point worth mentioning is that our Mainland operation has long pursued a focus-strategy which limits our presence in most of the second- and third-tier cities, thereby mitigating the volatility of our Mainland business.

OUTLOOK

It is expected that the business environment is not likely to deteriorate but will remain challenging in the second half of 2014. To deal with the market challenges and to strengthen its market position, the Group will focus its efforts on implementing the strategic initiatives as outlined in its three-year plan formulated at the end of 2013.

Local primary home market is expected to perform well

The government's housing policies are still one of the significant factors affecting the property market in Hong Kong. In May 2014, the government made adjustments to the doubled ad valorem stamp duty measures, relaxing the timeframe for owners having acquired a new residential property before disposing of their original one. These adjustments, together with the cash rebates and incentives offered by developers, have invigorated the sales of new residential units. In our view, new home supply is on the rise and the primary residential market will continue to outperform.

Meanwhile, secondary residential sales activity is expected to remain lackluster. Undoubtedly, the sentiment in the secondary home market has improved remarkably since the second quarter. However, the sharp growth in sales activity is mainly coming from a low base. Indeed, the volume of secondary home sales registrations in the first six months of this year is 10.9% and 44.2% lower than that in the same period of 2013 and in 2012, respectively. The major reason for inactivity in this sector is that individual homeowners are not willing to sell. As long as tightening measures are in place and interest rates are low, it is unlikely that transaction activity in the secondary home sector will return to normal level in the near future.

Capturing opportunities arising from changing market dynamics

Clearly, property prices have recently resumed an upward trend. However, the increase seen so far this year has not been as marked as what was seen in the period before the implementation of the doubled ad valorem stamp duty. Since the price difference between new projects and secondary housing estates has narrowed, it is anticipated that the increase in prices will further taper off. Stabilization of property prices may help to lower the risk of further policy tightening.

End-user demand remains strong at the medium-to-low end of the market, and new projects in this segment will benefit the most from the low interest rate and stable policy environments. Undoubtedly, the low interest rate environment will not last forever and the Federal Reserve has been reducing the amount of asset purchases. The general market consensus is that any increases in interest rates will likely be very modest and rates are likely to remain at a low level for quite some time. In the first half of the year, our primary market-focused strategy paid off and we will continue to pursue it in the second half of the year.

The luxury market underperformed in the first half, but it is likely to improve in the final quarter of this year when the Shanghai-Hong Kong Stock Connect is expected to be launched. This program will link the stock markets in Shanghai and Hong Kong, boosting the overall sentiment in both stock markets. The traditional wisdom is that luxury residential, industrial, commercial and shop sectors will perform well amid solid stock market performance. The Group will keep a close eye on any business opportunities arising from the linkage of the two stock markets.

China’s economy is in healthy shape despite moderate GDP growth. However, the Mainland property market has been losing steam, and it is anticipated that the excess supply built up in second-tier and third-tier cities will take some time to clear. On the other hand, the property markets in first-tier cities such as Shenzhen are likely to outperform. This development fits with our focus strategy in mainland China.

In the property agency industry, competition has reached the stage of survival of the strongest, and is expected to remain fierce for a period of time. The Group will continue to endeavor to control the costs in view of such challenging conditions. However, as the growth of Mainland tourists’ spending slows, the retail property sector also enters into consolidation. In recent months, rents in prime shopping districts have fallen moderately, and rents for shops in other areas may follow suit. When this happens, the Group may be able to negotiate more favorable terms upon renewal.

On 15 August 2014, the Company held a special general meeting (“SGM”) as requisitioned by two shareholders. The Board was of the view that all requisitioned resolutions were not in the interests of the Company and its shareholders as a whole and therefore recommended the shareholders to vote against all requisitioned resolutions. In line with the voting recommendation of the Board, at the SGM, all the requisitioned resolutions were voted down by majority votes and none of the requisitioned resolutions were carried.

STRATEGIC REVIEW AND PLANNING

The business environment was still challenging in the first half of 2014. However, the Group managed to improve its financial performance during the reporting period.

The Group, unlike many local small agencies, has access to the sales of new homes and therefore has developed a strong presence in the primary residential sector. The Group has slightly reduced the number of branch outlets in Hong Kong during the reporting period and continued to build up its sales force, with local staff levels rising slightly to deal with the increase in sales of new homes, resulting in a more adjustable cost structure. A strong sales operation is essential to the Group as there is considerable supply of new homes in the market. Along with increasing the size of the

Group's sales force in Hong Kong, Midland Realty also strived hard to enhance the productivity of its team through measures such as ensuring that its commission scheme offers sufficient incentive for frontline staff.

Moreover, the Group implemented a series of initiatives introduced by Ms. WONG Ching Yi, Angela ("Ms. Angela WONG") to further strengthen its market position in the primary residential sector in Hong Kong. The initiatives included the restructuring of the Group's local residential division's sales management team, improvement of commission scheme, the launching of short term incentive programs, and the implementation of further costs control. The initiatives have had positive results, with Midland Realty recognized by developers as the best-selling agent in the primary project City Point Phase I. Also, in the sales of Mount One, Midland Realty was awarded "Highest Transaction Volume" from developer. Midland Realty showed significant improvements in the sales of major primary projects as compared with 2013.

Since sales activity in the market entered into a consolidation phase at the beginning of 2013, the Group has continuously reviewed its cost structure with the aim of controlling its operating costs. Undeniably, the estate agency industry is still highly competitive and the long-awaited industrial contraction has not yet taken place. However, the Group's primary market-focused strategy has reduced the dependence of its local operation on branch network and, as such, the Group has slightly reduced the number of branch outlets in Hong Kong during the reporting period. In the meantime, the number of branches in mainland China has declined as well. As a consequence of the reduction in branch outlets, during the reporting period, the rental expenditures of the Group dropped 2.6% year-on-year.

In the future, the Group will focus its efforts on implementing the strategic initiatives as outlined in its three-year plan. Further business initiatives will be led by Ms. Angela WONG to improve the operating efficiency of the Group to enhance medium and long term profitability, and such initiatives include:

1. Strengthening of the IT database and applications in order to sharpen sales and marketing tools, streamline work flows and improve operation logistics;

2. Enhancing customer services, especially before and after sales services in order to improve client experience;

3. Reviving staff motivation and talent retention programs for coping with a younger and energetic generation of sales force;

4. Developing an objective and standardized measurement basis for evaluating the performance of the sales team; and

5. Devising short-term commission and incentive schemes to align the focus of the sales force with the changes and needs of the market.

As the Chairman of the Group, I shall continue to work closely with Ms. Angela WONG and Mr. WONG Tsz Wa, Pierre, the Managing Director, and the other management of the Group to implement those initiatives.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group mainly finances its business operations with its internal resources and loan facilities from banks and other parties.

As at 30 June 2014, the Group had cash and bank balances of HK$1,379,182,000 (as at 31 December 2013: HK$1,434,300,000). As at 30 June 2014, the interest-bearing bank and other borrowings of the Group amounted to HK$422,576,000 (as at 31 December 2013: HK$424,011,000) with maturity profile set out as follows:

	As at 30 June 2014	As at 31 December 2013
	HK$'000	*HK$'000*
Repayable		
Within 1 year	**413,922**	414,894
After 1 year but within 2 years	**938**	930
After 2 years but within 5 years	**2,923**	2,895
Over 5 years	**4,793**	5,292
	422,576	424,011

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The gearing ratio, which is calculated on the basis of total borrowings over total equity of the Group, was 28.23% (as at 31 December 2013: 27.76%). The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.6 (as at 31 December 2013: 1.7).

With the implementation of the Residential Properties (First-hand Sales) Ordinance in April 2013, there is a change in the market practice for the sales arrangement for first hand residential properties which in turn increases the short term funding requirement of the Group. During the period under review, the Group successfully secured new loan facilities to cope with the market change.

As at 30 June 2014, the Group has unutilised borrowing facilities amounting to approximately HK$397,000,000 (as at 31 December 2013: HK$95,795,000) from various banks and other parties. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company (the "Directors") will continue to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

As at 30 June 2014, certain land and buildings and investment properties held by the Group of HK$91,427,000 (as at 31 December 2013: HK$71,740,000) and HK$56,330,000 (as at 31 December 2013: HK$1,000,000) were pledged to secure banking facilities granted to the Group. As at 30 June 2014, bank deposit of HK$3,400,000 (as at 31 December 2013: nil) was pledged to secure general banking facilities granted to the Group.

The Group's cash and bank balances are deposited in Hong Kong Dollars, Renminbi and Macau Pataca and the Group's borrowings are in Hong Kong Dollars. No currency hedging tool is used.

The Group's business has been conducted primarily in Hong Kong and its monetary assets and liabilities are mainly denominated in Hong Kong Dollars. The Group is exposed to Renminbi exchange rate risk as the assets and liabilities of the Group's PRC subsidiaries were primarily denominated in Renminbi. Since it is expected that there shall not be sharp depreciation of Renminbi against Hong Kong Dollar in near future, the Directors consider that no hedging measure against Renminbi exchange rate exposure is necessary at this stage but will closely monitor its fluctuations.

Contingent Liabilities

As at 30 June 2014, the Company executed corporate guarantee as part of the securities for general banking and other loan facilities of HK$642,700,000 granted to certain wholly-owned subsidiaries (as at 31 December 2013: HK$542,700,000). As at 30 June 2014, HK$223,547,000 of the banking facilities were utilised by the subsidiaries (as at 31 December 2013: HK$425,701,000).

The Group has been involved in certain claims/litigations in respect of property agency services. After seeking appropriate legal advice, the Directors are of the opinion that either no provision is required or that adequate provision has been made in the financial statements to cover any potential liabilities.

Employee Information

As at 30 June 2014, the Group employed 8,733 full time employees of which 7,581 were sales agents, 528 were back office supportive employees and 624 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, incentives tied in with profits and share options may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits. In respect of staff development, both in-house and external training and development programmes are conducted on a regular basis.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Interim Period (2013: Nil).

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

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

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Listing Rules throughout the Interim Period.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "Audit Committee") comprises four Independent Non-executive Directors and one Non-executive Director with written terms of reference in accordance with the requirements of the Listing Rules, and reports to the Board. The Audit Committee has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group 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 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 to the Listing Rules.

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

PUBLICATION OF INTERIM RESULTS AND 2014 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midland.com.hk). The 2014 Interim Report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

A UNITED TEAM

With the Group's improved financial performance in the first half of the year, the management team will endeavor to deliver satisfactory results to our shareholders in the second half. Over the past few months, the Board and the management have dealt with various forms of challenges.

As the founder and Chairman, I have worked closely with my colleagues on the Board to enhance the efficiency of the Group. The challenges have united our Board and staff. I am thankful to the shareholders, customers and staff who have provided their support.

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

Hong Kong, 26 August 2014

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