



Midland Holdings Limited

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31st December 2005, the Group had bank balances and cash of HK\$376,702,000, whilst bank loans and overdrafts amounted to HK\$80,668,000. The Group's bank loans were secured by certain investment properties and buildings, leasehold land and land use rights held by the Group with a total net book value of HK\$223,902,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	20,848
After 1 year but within 2 years	7,001
After 2 years but within 5 years	21,002
Over 5 years	20,505

The Group had unutilised banking facilities, amounting to HK\$141,685,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollars, United States Dollars and Renminbi, and the Group's borrowings are in Hong Kong Dollars. Therefore the Directors consider there is no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31st December 2005, the gearing ratio of the Group was 8%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

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

ACQUISITION AND INVESTMENT

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

As at 31st December 2005, the Company held in aggregate 52,748,000 shares of Chun Wo Holdings Limited, a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange, representing 7.08% of its issued share capital.

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.