



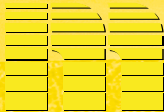
Midland Realty (Holdings) Ltd.
Incorporated in Bermuda with limited liability



唯一獲“超級品牌”地產代理

Interim Report 2003

Affluent Year of SUCCESS



Midland Realty (Holdings) Limited

2003 Interim Report

Corporate Information

◆ **DIRECTORS**

Executive Directors

Mr WONG Kin Yip, Freddie
(Chairman and Managing Director)
Ms IP Kit Yee, Kitty
(Deputy Chairman)
Mr CHEUNG Kam Shing
(Deputy Chairman)
Ms LAM Fung Fong

Independent non-executive Directors

Mr AU Son Yiu
Mr CHUNG Kam Wing, Calvin
Mr KAN Chung Nin, Tony
Mr LAI Dominic

◆ **AUDIT COMMITTEE**

Mr CHUNG Kam Wing, Calvin
(Chairman)
Mr AU Son Yiu

◆ **COMPANY SECRETARY**

Mr CHAN Kin Chu, Harry

◆ **REGISTERED OFFICE**

Clarendon House
Church Street
Hamilton HM 11
Bermuda

◆ **WEBSITE**

www.midland.com.hk

◆ **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
22nd Floor
Prince's Building
Central
Hong Kong

◆ **PRINCIPAL BANKERS**

DBS Bank (Hong Kong) Limited
International Bank of Asia Limited
Standard Bank Asia Limited
The Hongkong and Shanghai Banking
Corporation Limited

◆ **HONG KONG LEGAL ADVISERS**

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



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Corporate Information

◆ ***BERMUDA LEGAL ADVISERS***

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

◆ ***PRINCIPAL REGISTRAR AND
TRANSFER OFFICE***

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

◆ ***HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE***

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



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Financial Highlights

	Unaudited Six months ended		Percentage change
	30.6.2003	30.6.2002	
	(As restated)	(As restated)	
	HK\$'000	HK\$'000	
Turnover	455,289	485,398	-6%
Operating costs	419,555	450,236	-7%
Profit attributable to shareholders	30,140	29,123	+3%
Shareholders' funds	473,750	442,175	+7%

Midland Realty (Holdings) Limited

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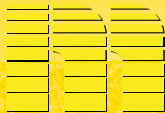
Interim Results

The Board of Directors (the “Directors”) of Midland Realty (Holdings) Limited (the “Company”) is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2003. The condensed accounts of the Group include the consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th June 2003, and the consolidated balance sheet as at 30th June 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out below:

Condensed Consolidated Profit and Loss Account

FOR THE SIX MONTHS ENDED 30TH JUNE 2003

	Note	Unaudited Six months ended	
		30.6.2003 HK\$'000	30.6.2002 (As restated) HK\$'000
Turnover	2	455,289	485,398
Other revenues		3,201	6,634
		458,490	492,032
Operating costs		(419,555)	(450,236)
Deficit arising on revaluation of investment properties		(910)	(1,700)
Operating profit	3	38,025	40,096
Finance costs		(818)	(3,908)
Share of profits less losses of jointly controlled entities		559	2,289
Profit before taxation		37,766	38,477
Taxation	4	(6,959)	(8,521)
Profit after taxation		30,807	29,956
Minority interests		(667)	(833)
Profit attributable to shareholders		30,140	29,123
Proposed interim dividend	5	10,339	3,018
Basic earnings per share	6	HK4.40 cents	HK4.87 cents
Diluted earnings per share	6	HK4.40 cents	HK4.56 cents



Midland Realty (Holdings) Limited

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Condensed Consolidated Balance Sheet

AS AT 30TH JUNE 2003 AND 31ST DECEMBER 2002

		Unaudited	As restated
		30.6.2003	31.12.2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Fixed assets	7	133,515	157,650
Investments in jointly controlled entities		7,931	8,243
Deferred tax assets		8,800	8,450
		<u>150,246</u>	<u>174,343</u>
Current assets			
Accounts receivable	8	242,657	201,467
Other receivables, prepayments and deposits		50,061	82,468
Trading investments		13	31,500
Tax recoverable		–	1,853
Bank balances and cash		260,308	211,976
		<u>553,039</u>	<u>529,264</u>
Current liabilities			
Accounts payable	9	111,679	91,201
Other payables and accrued charges		64,518	73,931
Current portion of long-term bank loans – secured	10	11,796	16,067
Taxation payable		6,463	–
Bank overdrafts		1,465	29,369
		<u>195,921</u>	<u>210,568</u>
Net current assets		<u>357,118</u>	<u>318,696</u>
Total assets less current liabilities		<u>507,364</u>	<u>493,039</u>

Midland Realty (Holdings) Limited

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Condensed Consolidated Balance Sheet (continued)

AS AT 30TH JUNE 2003 AND 31ST DECEMBER 2002

		Unaudited	As restated
		30.6.2003	31.12.2002
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financed by:			
Share capital	<i>11</i>	68,927	60,945
Reserves	<i>12</i>	394,484	343,321
Proposed dividend	<i>12</i>	10,339	3,446
Proposed special cash bonus		—	34,463
		<hr/>	<hr/>
Shareholders' funds		473,750	442,175
Minority interests		7,072	6,405
Non-current liabilities			
Long-term bank loans – secured	<i>10</i>	26,542	44,459
		<hr/>	<hr/>
		507,364	493,039
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Midland Realty (Holdings) Limited

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Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH JUNE 2003

	<i>Note</i>	Unaudited Six months ended	
		30.6.2003 <i>HK\$'000</i>	30.6.2002 <i>(As restated)</i> <i>HK\$'000</i>
Total equity as at 1st January, as previously reported		432,744	518,819
Change in an accounting policy	<i>1</i>	9,431	4,327
Total equity as at 1st January, as restated		442,175	523,146
Exchange differences arising on translation of the financial statements of foreign subsidiaries and a jointly controlled entity not recognised in the consolidated profit and loss account	<i>12</i>	78	129
Profit attributable to shareholders	<i>12</i>	30,140	29,123
Dividends	<i>12</i>	(37,909)	(10,722)
Exercise of warrants	<i>11&12</i>	40,611	3,995
Release of warrants reserve after the expiry of warrants	<i>12</i>	(591)	–
Purchase of own shares	<i>11&12</i>	(754)	–
Total equity as at 30th June		473,750	545,671

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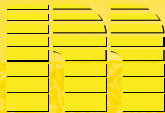
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Condensed Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 30TH JUNE 2003

	Unaudited	
	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Net cash from operating activities	44,403	59,688
Net cash from investing activities	51,995	17,460
Net cash used in financing activities	(20,240)	(31,752)
Net increase in cash and cash equivalents	76,158	45,396
Cash and cash equivalents at 1st January	182,620	328,353
Effect of foreign exchange rate changes	78	98
Cash and cash equivalents at 30th June	258,856	373,847
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	260,308	384,222
Bank overdrafts	(1,465)	(10,402)
Trading investments – listed equity securities	13	27
	258,856	373,847



Notes to the Condensed Interim Accounts

1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The condensed interim accounts should be read in conjunction with the 2002 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2002 except that the Group has changed its accounting policy following its adoption of the revised SSAP 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The change to the Group’s accounting policy and the effect of adoption of the revised SSAP 12 is set out below.

In accordance with the revised SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on fixed assets and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax bases. Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The logo consists of the letters 'MR' in a stylized, blocky font. Each letter is composed of several horizontal bars of varying lengths, creating a grid-like appearance. The letters are positioned to the right of the company name.

Midland Realty (Holdings) Limited

2003 Interim Report

Notes to the Condensed Interim Accounts

1. Basis of preparation and accounting policies *(continued)*

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the condensed consolidated statement of changes in equity, opening retained earnings at 1st January 2003 and 2002 have been increased by HK\$9,431,000 and HK\$4,327,000, respectively, which represent the unprovided deferred tax assets. This change has resulted in an increase in deferred tax assets at 31st December 2002 by HK\$9,431,000 and a decrease in profit attributable to shareholders for the six months ended 30th June 2002 by HK\$200,000.



Midland Realty (Holdings) Limited

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Notes to the Condensed Interim Accounts

2. Segment information

The Group is principally engaged in property broking services.

An analysis of the Group's revenues and results for the period by business segments is as follows:

	Unaudited					Total HK\$'000
	Six months ended 30th June 2003					
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Inter- segment elimination HK\$'000	
Turnover						
External sales	411,322	43,828	–	139	–	455,289
Other revenues						
External sales	–	–	1,050	752	–	1,802
Inter-segment sales	–	–	5,315	1,554	(6,869)	–
Segment revenues	<u>411,322</u>	<u>43,828</u>	<u>6,365</u>	<u>2,445</u>	<u>(6,869)</u>	<u>457,091</u>
Segment results	<u>31,404</u>	<u>3,863</u>	<u>4,371</u>	<u>(4,670)</u>	<u>8,822</u>	<u>43,790</u>
Unallocated costs						<u>(7,164)</u>
Operating profit before interest income and finance costs						36,626
Net finance income						581
Share of profits less losses of jointly controlled entities	(455)	–	–	1,014		<u>559</u>
Profit before taxation						37,766
Taxation						<u>(6,959)</u>
Profit after taxation						30,807
Minority interests						<u>(667)</u>
Profit attributable to shareholders						<u>30,140</u>

Midland Realty (Holdings) Limited

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Notes to the Condensed Interim Accounts

2. Segment information (continued)

	Unaudited					Total HK\$'000
	Six months ended 30th June 2002 (As restated)					
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Inter- segment elimination HK\$'000	
Turnover						
External sales	441,857	43,541	-	-	-	485,398
Other revenues						
External sales	-	-	1,410	2,413	-	3,823
Inter-segment sales	-	-	6,120	2,064	(8,184)	-
Segment revenues	<u>441,857</u>	<u>43,541</u>	<u>7,530</u>	<u>4,477</u>	<u>(8,184)</u>	<u>489,221</u>
Segment results	<u>32,515</u>	<u>6,582</u>	<u>(744)</u>	<u>(2,202)</u>	<u>9,600</u>	<u>45,751</u>
Unallocated costs						<u>(8,466)</u>
Operating profit before interest income and finance costs						37,285
Net finance costs						(1,097)
Share of profits of jointly controlled entities	20	-	-	2,269		<u>2,289</u>
Profit before taxation						38,477
Taxation						<u>(8,521)</u>
Profit after taxation						29,956
Minority interests						<u>(833)</u>
Profit attributable to shareholders						<u>29,123</u>



Midland Realty (Holdings) Limited

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Notes to the Condensed Interim Accounts

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Crediting		
Gain on disposal of trading investments	1,510	93
Charging		
Depreciation	6,246	8,558
Impairment of other properties	–	4,240
Provision for bad and doubtful debts	19,719	14,938
Loss on disposal of fixed assets	62	173
Staff costs	260,744	284,178

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30.6.2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profit tax rate from 16% to 17.5% for the fiscal year 2003/2004.

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.

Midland Realty (Holdings) Limited

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Notes to the Condensed Interim Accounts

4. Taxation (continued)

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Unaudited Six months ended	
	30.6.2003 HK\$'000	30.6.2002 (As restated) HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	7,027	7,900
Overseas taxation	87	46
Deferred taxation	(350)	200
	<u>6,764</u>	<u>8,146</u>
Share of taxation attributable to a jointly controlled entity	<u>195</u>	<u>375</u>
	<u>6,959</u>	<u>8,521</u>

5. Proposed interim dividend

	Unaudited Six months ended	
	30.6.2003 HK\$'000	30.6.2002 HK\$'000
Interim, proposed, of HK\$0.015 (six months ended 30.6.2002: HK\$0.005) per ordinary share (note)	<u>10,339</u>	<u>3,018</u>

Note: At a meeting held on 16th September 2003, the Directors declared an interim dividend of HK\$0.015 per share for the year ending 31st December 2003. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2003.



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Notes to the Condensed Interim Accounts

6. Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$30,140,000 (six months ended 30.6.2002 as restated: HK\$29,123,000) and the weighted average number of 684,537,000 (six months ended 30.6.2002: 597,817,000) ordinary shares in issue during the period.

The diluted earnings per share is based on the adjusted profit of HK\$30,140,000 and 684,620,000 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 83,000 ordinary shares deemed to be issued at no consideration if the outstanding options had been exercised.

For the six months ended 30th June 2002, the diluted earnings per share is based on adjusted profit of HK\$31,223,000 as restated on the assumption that all the outstanding convertible note had been exercised at the date of issue and had saved interest payable thereon, and 684,843,000 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 87,026,000 ordinary shares deemed to be issued at no consideration if all outstanding warrants, options and convertible note had been exercised.

7. Fixed assets

	Unaudited <i>HK\$'000</i>
Net book value as at 1st January 2003	157,650
Additions	2,851
Disposals	(19,830)
Depreciation charge	(6,246)
Deficit arising on revaluation of investment properties	(910)
	<hr/>
Net book value as at 30th June 2003	<u>133,515</u>

Midland Realty (Holdings) Limited

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Notes to the Condensed Interim Accounts

8. 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 2003, the ageing analysis of the Group's accounts receivable was set out as follows:

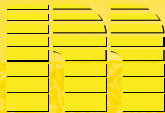
	Unaudited 30.6.2003 <i>HK\$'000</i>	Audited 31.12.2002 <i>HK\$'000</i>
Not yet due	176,132	142,360
Within 30 days	29,016	30,919
31-60 days	22,980	11,203
61-90 days	7,091	10,506
Over 90 days	7,438	6,479
	<u>242,657</u>	<u>201,467</u>

9. 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 2003, the accounts payable included HK\$19,249,200 (year ended 31.12.2002: HK\$18,734,000) commissions payable which were due for payment within 30 days. All the remaining accounts payable were not yet due.

10. Long-term bank loans – secured

	Unaudited 30.6.2003 <i>HK\$'000</i>	Audited 31.12.2002 <i>HK\$'000</i>
Secured bank loans wholly repayable within five years	38,338	60,526
Current portion of long-term bank loans	<u>(11,796)</u>	<u>(16,067)</u>
	<u>26,542</u>	<u>44,459</u>



Midland Realty (Holdings) Limited

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Notes to the Condensed Interim Accounts

10. Long-term bank loans – secured *(continued)*

At 30th June 2003, the Group's bank loans and overdrafts were repayable as follows:

	Bank loans and overdrafts	
	Unaudited 30.6.2003 <i>HK\$'000</i>	Audited 31.12.2002 <i>HK\$'000</i>
Within one year	13,261	45,436
In the second year	11,796	16,155
In the third to fifth year	14,746	28,304
	<u>39,803</u>	<u>89,895</u>

11. Share capital

(a) Share capital

	Unaudited Ordinary shares of HK\$0.10 each	
	Number of shares	<i>HK\$'000</i>
<i>Authorised:</i>		
At 1st January 2002, 2003 and 30th June 2003	<u>1,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 1st January 2002	595,689,000	59,569
Exercise of warrants	20,064,000	2,006
Cancellation of purchased shares	<u>(6,306,000)</u>	<u>(630)</u>
At 31st December 2002	<u>609,447,000</u>	<u>60,945</u>
At 1st January 2003	609,447,000	60,945
Exercise of warrants	81,224,000	8,122
Cancellation of purchased shares	<u>(1,406,000)</u>	<u>(140)</u>
At 30th June 2003	<u>689,265,000</u>	<u>68,927</u>

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Notes to the Condensed Interim Accounts

11. Share capital *(continued)*

(b) Share option

The Company has a share option scheme which was adopted on 12th May 1995 (“1995 Share Option Scheme”). The 1995 Share Option Scheme was terminated on 30th April 2002 without prejudice to the rights and benefits of and attached to those options granted thereunder which were outstanding as at 30th April 2002.

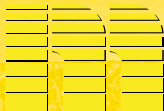
At the special general meeting of the Company held on 30th April 2002, the Company has passed an ordinary resolution for the adoption of a new share option scheme (“2002 Share Option Scheme”) in compliance with the amendments made to Chapter 17 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Under the terms of the 2002 Share Option Scheme, the Directors of the Company may, at their discretion, grant options to eligible persons to subscribe for shares in the Company at a price not less than the highest of (i) the closing price of the shares as stated in the 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.

Particulars and movements of share options which were granted under the 1995 Share Option Scheme and 2002 Share Option Scheme are set out on page 28 to page 30.

(c) Warrants

During the period, 81,224,000 warrants were exercised, resulting in the issue of 81,224,000 ordinary shares of HK\$0.10 each by the Company at a subscription price of HK\$0.50 per share. The subscription right attaching to the outstanding 2,820,000 warrants has been expired and lapsed on 13th January 2003.

On 8th April 2003, the Directors proposed to make a bonus issue of warrants to shareholders of the Company whose names are recorded on the register of members of the Company as at the close of business on 21st May 2003 (other than shareholders whose address are outside Hong Kong). The resolution of the proposed bonus warrant issue was not approved by the shareholders of the Company at the special general meeting held on 21st May 2003. As the proposed bonus issue of warrants was conditional upon the passing of an ordinary resolution by the shareholders of the Company, the proposed bonus issue of warrants did not proceed.



Midland Realty (Holdings) Limited

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Notes to the Condensed Interim Accounts

12. Reserves

	Unaudited						
	Six months ended 30th June 2003						
	Share premium	Capital redemption	Arising on consolidation	Warrants	Exchange difference	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2003, as previously reported	76,289	1,937	(36,995)	17,618	(454)	313,404	371,799
Change in an accounting policy (note 1)	-	-	-	-	-	9,431	9,431
At 1st January 2003, as restated	76,289	1,937	(36,995)	17,618	(454)	322,835	381,230
Exchange difference	-	-	-	-	78	-	78
Purchase of own shares	(614)	-	-	-	-	-	(614)
Transfer from retained earnings	-	141	-	-	-	(141)	-
Exercise of warrants	49,516	-	-	(17,027)	-	-	32,489
Release of warrants reserve upon the expiry of warrants	-	-	-	(591)	-	-	(591)
Profit for the period	-	-	-	-	-	30,140	30,140
2002 final dividend paid	-	-	-	-	-	(37,909)	(37,909)
At 30th June 2003	125,191	2,078	(36,995)	-	(376)	314,925	404,823
Representing:							
Reserves	125,191	2,078	(36,995)	-	(376)	304,586	394,484
2003 interim dividend proposed (note 5)	-	-	-	-	-	10,339	10,339
At 30th June 2003	125,191	2,078	(36,995)	-	(376)	314,925	404,823

Midland Realty (Holdings) Limited

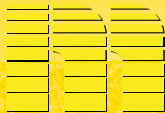
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Notes to the Condensed Interim Accounts

12. Reserves (continued)

	Unaudited Six months ended 30th June 2002							
	Share premium <i>HK\$'000</i>	Capital redemption <i>HK\$'000</i>	Arising on consolidation <i>HK\$'000</i>	Warrants <i>HK\$'000</i>	Other properties revaluation <i>HK\$'000</i>	Exchange difference <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2002, as previously reported	66,908	1,307	(36,995)	21,824	220	(583)	406,569	459,250
Change in an accounting policy (note 1)	-	-	-	-	-	-	4,327	4,327
At 1st January 2002, as restated	66,908	1,307	(36,995)	21,824	220	(583)	410,896	463,577
Exchange differences	-	-	-	-	-	129	-	129
Exercise of warrants	4,871	-	-	(1,675)	-	-	-	3,196
Profit for the period	-	-	-	-	-	-	29,123	29,123
2001 final dividend paid	-	-	-	-	-	-	(10,722)	(10,722)
At 30th June 2002	<u>71,779</u>	<u>1,307</u>	<u>(36,995)</u>	<u>20,149</u>	<u>220</u>	<u>(454)</u>	<u>429,297</u>	<u>485,303</u>
Representing:								
Reserves	71,779	1,307	(36,995)	20,149	220	(454)	426,279	482,285
2002 interim dividend proposed (note 5)	-	-	-	-	-	-	3,018	3,018
At 30th June 2002	<u>71,779</u>	<u>1,307</u>	<u>(36,995)</u>	<u>20,149</u>	<u>220</u>	<u>(454)</u>	<u>429,297</u>	<u>485,303</u>



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BUSINESS REVIEW

In the first half of 2003, despite the Severe Acute Respiratory Symptom (“SARS”) outbreak and the high unemployment rate, the Group still managed to record its best interim results since 1998*. Such results reflect that the Group possesses sound and excellent management skills, which are not only able to enhance its competitiveness during the boom, but also in the bust. And thanks to the dedication and hard work of all the staff, the Group outpaced its competitors again during the market downturn.

In the first 6 months of 2003, the real estate market remained weak. According to the Land Registry’s figures, the number of sales and purchase agreements dropped 26%. However, the Group’s transaction volume fell less than 5% for the same period, showing the strong performance of the Group even under unfavorable economic situation. More importantly, the Group’s commission intake ratio from both the primary and secondary market also recorded an increase, demonstrating once again that the Group is a prominent leader in the industry.

Meanwhile, the Group worked aggressively to lower its operating costs during the difficult economic environment. In fact, the Group initiated a detailed restructuring plan to help the company maintain its competitive edge when negative signs just began to emerge. In the first half of 2003, the company successfully reduced its operating costs by 7%, reflecting the flexibility of its cost structure. What’s more, it also shows that the Group knows the market well.

With regard to the mainland market, the Group’s jointly controlled entity acquired 7 branches of 廣州市天河大地物業發展有限公司 in GuangZhou in June. For the first half of 2003, the branch network in the mainland expanded from 22 to 35, equivalent to a 60% increase.

In the first six months, the implementation of the “Productivity-Enhancing Program” in the local market led those low performers to leave the company, making the number of local staff drop by 182.

* *Interim results from 1998 to 2001 have not been restated.*

PROSPECTS

Notwithstanding the challenging global economic environment, the Board of Directors is optimistic about the future of the real estate agency business. The collapse of Fortune Realty Company Limited reflects a structural change in the industry, where only large agencies such as Midland Realty, are able to survive. Clearly, the Group’s leading position in the industry is now even stronger than that in the year of 1996 and 1997. Also, the group’s market share is now higher than that in the boom.

The logo consists of the letters 'MR' in a stylized, blocky font. Each letter is composed of several horizontal bars of varying lengths, creating a grid-like or architectural appearance.

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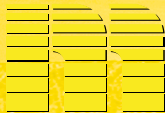
PROSPECTS (continued)

Despite the high unemployment rate and persisting deflation, the economy has already hit rock bottom and is showing signs of recovery. The Group anticipates that the business environment will improve very soon. A solid foothold for the steady recovery of the local economy is based on its sound fundamentals. For one thing, the Closer Economic Partnership Agreement (CEPA) was signed in June. Then, the individual travel scheme was launched in July. And in near future, construction of the Hong Kong-Zhuhai-Macau Bridge is expected to be announced. All these have provided enormous momentum for Hong Kong's growth on a medium to long term perspective. Above all, the Chinese government will encompass more significant initiatives and measures to support Hong Kong. Under the help of the Motherland, together with the improvement of the US economy, Hong Kong is now well positioned to meet the challenges and capitalize on new business opportunities that may arise.

If the local economy can genuinely get back on track towards steady recovery as anticipated, the real estate business will benefit in the end. In fact, subsequent to the SARS threat, the local real estate market has rebounded quickly. Transaction volume for both the primary and secondary markets have picked up while property prices have increased as well. And if the government seizes this opportunity and launches stimulating measures such as freezing land sales, the local residential property market is likely to resume its upward trend. In our view, the impact of the abolition of the Home Ownership Scheme ("HOS") program will emerge in the coming six to nine months. Figures indicate that between the year 1991 to 2000, the annual average supply of HOS housing reached in excess of ten thousand units. So the Group anticipates that those eligible applicants who have originally applied for HOS housing will gradually shift from the public market to the private market, causing the demand for private residential units increase substantially. In the foreseeable future, real estate market is expected to become more and more active.

COPING WITH THE SECONDARY MARKET RECOVERY

The Group believes that the real estate market is now in its revival stage, and secondary home market will outperform the overall home market. And there are two reasons for our belief. First, most developers have held off new launches and raised prices of the new flats; pressure on the secondary market has eased. Moreover, huge upgrading demand has been accumulating in the past few years. Recently, more and more homeowners have changed flats and there are signs that investors are feeling more confident in the property market. In an effort to capitalize on these tremendous business opportunities, the Group has been aggressively increasing its sale force and expanding its branch network, with the aim to further enhance its market share.



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CAPITALIZING ON THE IMMIGRATION-LINKED INVESTMENT SCHEME

In early September, the Group announced the establishment of an immigration consulting service company in order to cope with the introduction of the Capital Investment Entrant Scheme. The Group expects that the foreigners who are planning to migrate to Hong Kong, will have a propensity to invest in the local real estate sector through the new program. Moreover, the Group's newly formed company will conduct feasibility studies on the launch of other related added value property-related services such as property management and rent collection, to enhance the Group's competitiveness.

ENHANCING TIES AND TWO-WAY TRAFFIC BETWEEN CHINA AND HONG KONG

Supported by a robust economy in the Mainland, mutual ties between China and Hong Kong have become closer. Mainland residents visiting Hong Kong on an individual basis will encourage more mainlanders to spend in Hong Kong and will accelerate the future growth of the local economy. The Group will leverage on its extensive branch network in the mainland to bolster a collaboration effect by referring and channeling potential prospects across the border.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30th June 2003, the Group had bank balances and cash of HK\$260,308,000, whilst bank loans and overdrafts amounted to HK\$39,803,000. 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\$110,659,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	13,261
After 1 year but within 2 years	11,796
After 2 years but within 5 years	14,746

The Group had unutilised banking facilities amounting HK\$83,067,000 from various banks. The Group's borrowings are in Hong Kong Dollars, there is no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

The logo consists of the letters 'MR' in a stylized, blocky font. Each letter is composed of several horizontal bars of varying lengths, creating a grid-like or architectural appearance. The letters are positioned to the right of the company name.

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Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING (continued)

As at 30th June 2003, 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 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 2002, the Group acquired a 30% equity interest in a company which was in the process of applying for the listing of its shares in the Growth Enterprises Market of the Stock Exchange during the year at a consideration of HK\$29,800,000. During the six months ended 30th June 2003, the Group decided to withdraw from the investment as certain conditions of the sale and purchase agreement entered into between the Group and the vendors cannot be fulfilled. The whole amount of HK\$29,800,000 paid by the Group was fully refunded.

CONTINGENT LIABILITIES

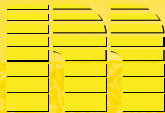
The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

STAFF AND REMUNERATION POLICIES

As at 30th June 2003, the Group employed 3,132[#] full time employees of which 2,773 were sales agents and 359 were back office supportive employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, profit sharing and share option may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits for both the directors and employees. On staff development, both in-house and external training and development programmes are conducted on a regular basis.

[#] Including the employees employed by the jointly controlled entities of the Group.



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Interim Dividend

The Directors have resolved to declare an interim dividend of HK\$0.015 per share for the six months ended 30th June 2003 (six months ended 30.6.2002: HK\$0.005). The interim dividend will be paid to shareholders of the Company whose names are recorded on the register of members of the Company as at the close of business on 7th October 2003. Dividend warrants will be dispatched to shareholders of the Company on or about 15th October 2003.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 3rd October 2003 to Tuesday, 7th October 2003 both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 2003 interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 2nd October 2003.

Directors' Interests in Equity or Debt Securities

At 30th June 2003 the interests and short positions of the directors and chief executives in the ordinary shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (including interests which they are deemed or taken to have under such provisions of the SFO)), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company were as follows:

	Number of ordinary shares/ underlying shares held			Percentage of shareholding
	Personal interests	Corporate interests	Family interests	
Mr WONG Kin Yip, Freddie	50,398,000 <i>(note (a))</i>	162,500,000 <i>(note (b))</i>	–	30.89%
Ms IP Kit Yee, Kitty	810,000 <i>(note (c))</i>	–	–	0.12%
Mr CHEUNG Kam Shing	1,325,000 <i>(note (d))</i>	–	–	0.19%
Ms LAM Fung Fong	575,000 <i>(note (e))</i>	–	685,000 <i>(note (f))</i>	0.18%

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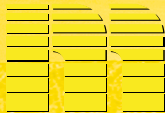
Directors' Interests in Equity or Debt Securities (continued)

Notes:

- (a) These shares are held by Mr WONG Kin Yip, Freddie as beneficial owner.
- (b) These shares are owned by Sunluck Services Limited, a private company controlled by Mr WONG Kin Yip, Freddie through Southern Field Trading Limited.
- (c) The personal interest of Ms IP Kit Yee, Kitty comprises 310,000 shares and 500,000 underlying shares in respect of share options granted by the Company to her, the details of which are stated in the following section "Share Options". The aforesaid interest is held by Ms IP Kit Yee, Kitty as beneficial owner.
- (d) The personal interest of Mr CHEUNG Kam Shing comprises 500,000 shares and 825,000 underlying shares in respect of share options granted by the Company to him, the details of which are stated in the following section "Share Options". The aforesaid interest is held by Mr CHEUNG Kam Shing as beneficial owner.
- (e) The personal interest of Ms LAM Fung Fong comprises 75,000 shares and 500,000 underlying shares in respect of share options granted by the Company to her, the details of which are stated in the following section "Share Options". The aforesaid interest is held by Ms LAM Fung Fong as beneficial owner.
- (f) These shares are held by the spouse of Ms LAM Fung Fong.

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

Save as disclosed above, no directors, chief executives or their associates had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.



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Interests of Other Persons Discloseable Under the SFO

As at 30th June, 2003, the following persons (other than a director of the Company disclosed above) had interests in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Number of shares	Percentage of shareholding	Note
Sunluck Services Limited	162,500,000	23.58%	(a)
Southern Field Trading Limited	162,500,000	23.58%	(b)
Arisaig Greater China Fund	97,420,000	14.13%	(c)
Arisaig Partners (Mauritius) Limited	97,420,000	14.13%	(d)
Lindsay William Ernest Cooper	97,420,000	14.13%	(e)
Universities Superannuation Scheme Limited	37,950,000	5.51%	(f)
J.P. Morgan Chase & Co.	37,950,000	5.51%	(g)
Invesco Asia Limited	37,916,000	5.50%	(h)

Notes:

- (a) These shares are held by Sunluck Services Limited as beneficial owner and duplicate the interest held by Mr WONG Kin Yip, Freddie in the Company.
- (b) Sunluck Services Limited is a wholly owned subsidiary of Southern Field Trading Limited and Southern Field Trading Limited is accordingly taken to have an interest in the 162,500,000 shares in which Sunluck Services Limited is interested. The interest of Southern Field Trading Limited in the Company duplicate those of Mr WONG Kin Yip, Freddie and Sunluck Services Limited.
- (c) These shares are held by Arisaig Greater China Fund as beneficial owner.
- (d) These shares are held by Arisaig Partners (Mauritius) Limited as the investment manager of Arisaig Greater China Fund and duplicate the interest held by Arisaig Greater China Fund in the Company.
- (e) Arisaig Partners (Mauritius) Limited is indirectly owned as to 33.33% by Lindsay William Ernest Cooper and Lindsay William Ernest Cooper is accordingly taken to have an interest in the 97,420,000 shares in which Arisaig Partners (Mauritius) Limited is interested. The interest of Lindsay William Ernest Cooper in the Company duplicates those of Arisaig Greater China Fund and Arisaig Partners (Mauritius) Limited.
- (f) Universities Superannuation Scheme Limited is holding the 37,950,000 shares as trustee.
- (g) These shares are held by J.P. Morgan Chase & Co. in a lending pool.
- (h) These shares are held by Invesco Asia Limited as investment manager.

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Interests of Other Persons Discloseable Under the SFO (continued)

All the interests disclosed above (save and except those held by J.P. Morgan Chase & Co.) represent long position in the shares of the Company.

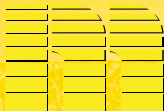
Save as disclosed above, the Company has not been notified by any other person (other than a director of the Company disclosed above) who has an interest or short position in the shares or underlying shares of the Company which are required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30th June 2003.

Share Options

(i) OUTSTANDING SHARE OPTIONS

Particulars and movements of share options which were granted under the 1995 Share Option Scheme are as follows:

	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2003	Options lapsed during the period	Balance outstanding as at 30th June 2003	Exercisable period
Directors						
Mr WONG Kin Yip, Freddie	15th May 2000	0.5312	1,300,000	1,300,000*	–	15th May 2000 to 15th May 2003
Ms IP Kit Yee, Kitty	14th May 2001	0.5088	250,000	–	250,000	14th May 2002 to 14th May 2005
	14th May 2001	0.5088	250,000	–	250,000	14th May 2003 to 14th May 2006
Mr CHEUNG Kam Shing	19th October 2000	0.496	412,500	–	412,500	19th October 2001 to 19th October 2004
	19th October 2000	0.496	412,500	–	412,500	19th October 2002 to 19th October 2005
Ms LAM Fung Fong	14th May 2001	0.5088	250,000	–	250,000	14th May 2002 to 14th May 2005
	14th May 2001	0.5088	250,000	–	250,000	14th May 2003 to 14th May 2006
Sub-total for directors			3,125,000	1,300,000	1,825,000	



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Share Options

(i) OUTSTANDING SHARE OPTIONS (continued)

	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2003	Options lapsed during the period	Balance outstanding as at 30th June 2003	Exercisable period
Continuous contract employees						
	1st March 1998	1.30	1,443,000	1,443,000*	–	1st March 2000 to 1st March 2003
	21st June 1999	0.86	1,600,000	1,600,000*	–	21st June 2000 to 21st June 2003
	17th February 2000	0.71	150,000	–	150,000	17th February 2001 to 17th February 2004
	17th February 2000	0.71	150,000	–	150,000	17th February 2002 to 17th February 2005
			3,343,000	3,043,000	300,000	
Sub-total for continuous contract employees						
Total for directors and continuous contract employees			6,468,000	4,343,000	2,125,000	

Note:

- * During the six months ended 30th June 2003, 4,343,000 share options were lapsed in accordance with the terms of 1995 Share Option Scheme.

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Share Options

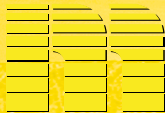
(i) OUTSTANDING SHARE OPTIONS (continued)

Particulars and movements of share options which were granted under the 2002 Share Option Scheme are as follows:

	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2003	Options granted during the period	Balance outstanding as at 30th June 2003	Exercisable period
Continuous contract employee	9th June 2003	0.5300	–	6,500,000	6,500,000	9th June 2003 to 8th June 2006
Consultant	9th June 2003	0.5300	–	6,500,000	6,500,000	9th June 2003 to 8th June 2006
Total			–	13,000,000	13,000,000	

(ii) VALUATION OF SHARE OPTIONS

The share options granted are not recognised in the accounts until they are exercised. Rule 17.08 of the Listing Rules states that the listed issuer is encouraged to disclose in its annual report and interim report the value of share options granted to participants as referred to in (i) to (v) of Rules 17.07 during the financial year/period. The directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders.



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Purchase, Sale or Redemption of Shares

During the six months ended 30th June 2003, the Company purchased 620,000 shares of HK\$0.10 each of the Company through the Stock Exchange. Details of the purchases are as follows:

Month of purchase	Number of shares	Purchase price per share		Aggregate consideration paid including expenses HK\$'000
		Highest paid HK\$	Lowest paid HK\$	
January 2003	<u>620,000</u>	0.55	0.54	<u>339</u>

Compliance with the Code of Best Practice of the Listing Rules

Throughout the six months ended 30th June 2003, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules except that non-executive directors are not appointed for a specified term as recommended in Paragraph 7 of Appendix 14 "Code of Best Practice" of the Listing Rules. According to the Bye-laws of the Company, all directors except the chairman of the Board and/or the managing director of the Company will retire at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2003 with the directors. The Committee comprises two independent non-executive directors, namely Mr AU Son Yiu and Mr CHUNG Kam Wing, Calvin.

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Publication of Interim Report on the Stock Exchange's Website

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.midland.com.hk as soon as practicable.

Acknowledgment

Key to this success is our workforce, which is constantly in search of excellence. On behalf of the Directors, I take this occasion to thank deeply the shareholders for their unquestionable support, and the staff for their tireless aptitude, devotion and commitment to serve.

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

Hong Kong, 16th September 2003