

INTERIM RESULTS

The Board of Directors (the "Directors") of Midland Realty (Holdings) Limited (the "Company" or "Midland Realty") is pleased to announce the unaudited consolidated results of the Company, its subsidiaries and associated company (the "Group") for the six months ended 30 June 1996 together with comparative figures for the corresponding period in 1995 as follows:-

	Six months ended 30 June	
	1996	1995
	<i>HKS'000</i>	<i>HKS'000</i>
Turnover	<u>496,727</u>	<u>221,931</u>
Operating profit	141,573	44,040
Share of loss of an associated company	(166)	(267)
Profit before taxation	141,407	43,773
Taxation (Note 1)	(24,060)	(7,850)
Profit after taxation	117,347	35,923
Interest of minority shareholders	(1,822)	(596)
Profit attributable to shareholders	<u>115,525</u>	<u>35,327</u>
Earnings per share		
Basic (Note 2)	<u>51.9 cents</u>	<u>22.6 cents</u>

*Notes:***1. Taxation**

This represents Hong Kong profits tax calculated at 16.5% (1995:16.5%) on estimated assessable profit for the period.

2. Earnings per share

(a) The calculation of earnings per share is based on the profit attributable to shareholders of HK\$115,525,000 (1995:HK\$35,327,000) and on the weighted average number of 222,714,286 (1995:156,353,591) shares in issue during the period.

(b) In the event that share options outstanding on 30 June 1996 totalling 400,000 (1995:Nil) are exercised in full, the fully diluted earnings per share would not be significantly different from the basic earnings per share as disclosed above.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK12.5 cents per share for the six months ended 30 June 1996 (1995:Nil). 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 23 August 1996. Dividend warrants will be dispatched to shareholders of the Company on or about 30 August 1996.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 21 August 1996 to Friday, 23 August 1996, both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 1996 interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrars, Abacus Share Registrars Limited, at 10th Floor Caroline Centre, 28 Yun Ping Road, Causeway Bay, Hong Kong, for registration, not later than 4:00 p.m. on Tuesday, 20 August 1996.

BUSINESS REVIEW

Rapid growth during the first half of 1996 has led to a significant increase in turnover of 124% to HK\$496,727,000 compared with HK\$221,931,000 over the same period last year.

Profit attributable to shareholders of the Company increased by 227% to HK\$115,525,000 (1995: HK\$35,327,000). Profit margin improved by 9% and earnings per share amounted to HK\$51.9 cents (1995:HK\$22.6 cents).

According to the Hong Kong Land Registry, the total number of property agreements for sale and purchase* during the first half of 1996 amounted to 67,445, an increase of over 33% from the corresponding period last year of 50,633.

Meanwhile, during the first half of 1996 Midland Realty has completed 10,550** transactions representing more than 80% of the Group's total of 12,744 transactions for the whole of 1995 and taking it to be one of the top local real estate brokeages.

The Company's impressive results can be attributed to the following factors:

- higher market recognition and overall confidence in Midland Realty as the only listed real estate agency in Hong Kong;
- a distinctive market positioning of Midland Realty in handling secondary sales and rentals of all types of properties;
- the rapid expansion of strategic branch networking, enabling greater economies of scale and in turn improving profit margin, and the Group's capitalization of referrals for clients seeking to sell and buy premises in different districts;
- a strong management team which has played a pivotal role in securing Midland Realty's leading share in Hong Kong's property market;
- the stringent internal control; and
- comprehensive and organized training programs which lead to an experienced and professional sales team.

With its extensive branch networking and valuable goodwill, the Group has been offered the opportunity to act as sole agent marketing first-hand properties for a number of well-established and recognised developers during the first half of 1996. The significance behind this cooperation indicates a change in attitude among property developers towards reputable real estate agencies and our ability to market primary properties to typically secondary market buyers. Results from such exclusive appointments have been highly encouraging and the Group looks forward to working more closely with developers.

The Group has also established a wholly-owned foreign enterprise in Shanghai which is expected to further develop the Group's property agency business in the People's Republic of China, complementing the Group's Hong Kong business and creating synergy between the two areas.

In June 1996, the Group moved into its new headquarters located at World-Wide House in Central. As at 30 June 1996, Midland Realty owns two offices and eleven shop premises.

A recent poll conducted by the Hong Kong Economic Times has named Midland Realty as one of the top five most popular real estate agencies in Hong Kong.

* *Transaction volume includes sales of all types of properties (land excluded) in the primary and secondary market. Rental transactions not included.*

** *Include sales and rental transactions.*

PROSPECTS AND OUTLOOK

Since the beginning of the year, the property market has shown encouraging signs of recovery with price increases now at the consolidation stage. The Directors are confident that the Group will continue to grow from strength to strength and expand its business opportunities.

The coming years are expected to bring fruitful returns to the Group's endeavour. Recently opened branches are performing well, however, ample opportunity still exists for continued improvement.

Continuing demand for property is expected to stem from a predicted shortage of new residential flats available in the near future. According to the findings of Government research by the Planning, Environment and Lands Department, Hong Kong's

population will increase to eight million by 2011 – a growth that will inevitably create a strong demand for more housing. Further demand for residential flats will be stimulated by the steady influx of mainlanders to Hong Kong during the next few years.

Development in new towns such as Ma On Shan, Tseung Kwan O and Tin Shui Wai have already become new market opportunities for the Group. In addition, the Western Harbour Crossing which connects Tai Kok Tsui to Western District is poised to boost property development along its exits. Such new towns and redevelopment areas provide plenty of opportunities for the Group to develop business in these secondary markets.

The Housing Authority is currently proposing a relaxation in the transferability of Home Ownership Scheme (“HOS”) housing units. Once the proposed relaxation comes into effect, original owners of HOS units will be able to sell their properties to current and potential public housing residents and other specified groups of people after just three years – seven years ahead of the present 10-year wait. Figures by the Rating and Valuation Department revealed a total of 220,000 HOS units by the end of 1996. With this criteria in mind, significant potential exists for Midland Realty to capture this new market.

By opening more branches in the same districts, the Group will be able to further penetrate existing markets and maximize its market share.

Furthermore, the Group will maximize its share in the property investment market, which used to be dominated by international agents.

The Directors are carefully evaluating certain strategically placed property investment opportunities with a view to increasing the Group’s number of self-owned properties to secure prime locations and to reduce rental expenditure.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Directors are not aware of any information which would reasonably indicate that the Company is not or was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, at any time during the six months ended 30 June 1996.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

1. Interests in Share Capital

As at 30 June 1996, the Directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations [within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)] which require notification pursuant to section 28 of the SDI Ordinance (including interest which they are deemed or taken to have under section 31 or part 1 of the schedule to the SDI Ordinance) or which are required to be recorded in the register maintained pursuant to section 29 of the SDI Ordinance:-

	Number of ordinary shares beneficially held	
	Personal interests	Corporate interests
Mr Wong Kin Yip, Freddie	5,000,000 [note (a)]	102,000,000 [note (c)] 14,000,000 [note (d)]
Mr Fung Yui Sum	5,000,000 [note (b)]	102,000,000 [note (c)] 14,000,000 [note (e)]
Mr Ling Kwok Fai, Joseph	3,000,000	-
Ms Ip Kit Yee, Kitty	1,100,000	-

Notes:

- These shares are held by Sunluck Services Limited in trust for Mr Wong Kin Yip, Freddie.
- These shares are held by Everchamp Consultants Limited in trust for Mr Fung Yui Sum.

- (c) These shares are owned by Rollas Enterprises Limited, a private company in which each of Mr Wong Kin Yip, Freddie and Bright News Limited holds a 50% interest.
- (d) These shares are owned by Sunluck Services Limited, a private company controlled by Mr Wong Kin Yip, Freddie through Southern Field Trading Limited.
- (e) These shares are owned by Everchamp Consultants Limited, a private company controlled by Bright News Limited through Bright Coin Trading Limited.
- (f) Bright News Limited is wholly and beneficially owned by the Billy Fung Family Trust, a discretionary trust, the discretionary objects of which include Mr Fung Yui Sum and his family members.

2. Interests in Share Options

On 12 May 1995, a share option scheme was approved by the shareholders of the Company under which the Directors may, at their discretion, grant options to eligible executive directors and employees of the Company and its subsidiaries to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

During the period, the movements of share options were as follows:-

	Number of shares in the Company comprising the share options which was outstanding at 1/1/1996	Exercisable period	Exercise price	Number of shares exercised during the period	Number of shares in the Company comprising the share options which was outstanding at 30/6/1996
Mr Wong Kin Yip, Freddie	5,000,000	2/11/1995 to 2/11/1998	\$1.21	5,000,000	Nil
Mr Fung Yui Sum	5,000,000	2/11/1995 to 2/11/1998	\$1.21	5,000,000	Nil
Mr Ling Kwok Fai, Joseph	3,000,000	2/11/1995 to 2/11/1998	\$1.21	3,000,000	Nil
Ms Ip Kit Yee, Kitty	1,500,000	2/11/1995 to 2/11/1998	\$1.21	1,100,000	400,000
Mr Au Son Yiu	1,500,000	6/11/1995 to 6/11/1998	\$1.23	1,500,000	Nil

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 1996, the register of the Company's substantial shareholders required to be kept under section 16(1) of the SDI Ordinance showed that other than the interests of the Directors disclosed above, the Company had not been notified of any interest amounting to ten per cent. or more of the Company's issued share capital.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 1996, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

IN CONCLUSION

Given the positive developments up-to-date, the Group remains very optimistic of a prosperous future ahead. On behalf of the Directors, I would like to take this opportunity to express my sincere gratitude to all of those who have continued to support Midland Realty.

By Order of the Board
Wong Kin Yip, Freddie
 Chairman

Hong Kong, 6 August 1996