

INTERIM RESULTS

The Board of Directors (the "Directors") of Midland Realty (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 1997 together with comparative figures for the corresponding period in 1996 as follows:

	Six months ended	
	30 June	
	1997	1996
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>1,222,574</u>	<u>496,727</u>
Operating profit	402,765	141,573
Share of loss of an associated company	<u>—</u>	<u>(166)</u>
Profit before taxation	402,765	141,407
Taxation (<i>Note 1</i>)	<u>(67,000)</u>	<u>(24,060)</u>
Profit after taxation	335,765	117,347
Interest of minority shareholders	<u>(5,905)</u>	<u>(1,822)</u>
Profit attributable to shareholders	<u>329,860</u>	<u>115,525</u>
Earnings per share		
Basic (<i>Note 2</i>)	<u>54.94 cents</u>	<u>20.75 cents</u>

Notes:

1. Taxation

This represents Hong Kong profits tax calculated at 16.5% (1996: 16.5%) on estimated assessable profit for the period.

2. Earnings per share

- (a) The calculation of earnings per share for the period ended 30 June 1997 is based on the profit attributable to shareholders of HK\$329,860,000 (1996: HK\$115,525,000) and on the weighted average number of 600,405,663 (1996: 556,785,715) shares in issue, adjusted to reflect the bonus issue made during the period. The earnings per share for the comparative figure have been adjusted accordingly.
- (b) In the event that share options outstanding and exercisable at 30 June 1997 totalling 3,000,000 (1996: 1,000,000) 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 HK10.0 cents per share for the six months ended 30 June 1997 (1996: HK5.0 cents). 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 26 September 1997. Dividend warrants will be dispatched to shareholders of the Company on or about 30 September 1997.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 24 September 1997 to Friday, 26 September 1997, both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 1997 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, 23 September 1997.

REVIEW

The Group is pleased to report a solid performance for the first half ended 30 June 1997. Turnover for the period rose 146% to HK\$1,222,574,000 from HK\$496,727,000 a year ago. Profit attributable to shareholders surged 186% to HK\$329,860,000 (HK\$115,525,000 for the first half of 1996). Operating profit margin increased to 32.9%. Earnings per share reached HK54.94 cents, up from HK20.75 cents in the same period last year.

In the first six months, the Group brokered 20,088* property transactions, up 90% year-on-year, and equivalent to 78% of the 25,691* transactions we handled in the full year of 1996.

Although the property market was generally robust during the reporting period, it clearly corrected downwards for two months. Despite the market fluctuations, the Group was able to exploit every opportunity to improve its performance because to these factors:

Sound management structure: Using a system of accountability and division of functions, we have been able to implement business strategies to meet changing market conditions and raise the productivity of our agents and staff.

Comprehensive training scheme: With six locations in Hong Kong, the Group has the most in training centres among real estate agencies. Multi-level training courses are conducted to update and upgrade our agents and staff, especially on professional standards. In the first half, the Group also commissioned a management consultancy to tailor a programme to promote service excellence.

Aggressive branch opening strategy: The Group opened 72 branches in strategic locations, expanding its network to 232 outlets as of 30 June 1997. By increasing its territorial presence, the Group intends to broaden segment penetration and expand its market share.

New market offensive: Besides opening more branches within the same districts, the Group has been on the lookout for new market segments, namely, new towns, old urban areas and Home Ownership Scheme ["HOS"] estates. Now that the government allows HOS units to change hands on the secondary market under certain conditions in three years instead of 10 upon completion, the Group has been strengthening its exposure in this segment with satisfying results.

Acquiring premises for self use: In line with the objective of owning premises for self use, the Group bought 18 retail outlets in the first half, bringing to 42 the number of premises in its property portfolio as of 30 June 1997. The Group believes that by acquiring premises, it is able to control costs more effectively, besides securing strategic beachheads in various districts.

Widening scope of service: While focusing on brokering the full range of properties in the secondary market, the Group also diversified into related services to enhance professional appeal. The valuation and surveying division established this year has been active in appraisals and tendering, with encouraging results.

An agency serving mostly end-users, the Group thrives on client support. We are proud to report that for the second consecutive year, readers of the Hong Kong Economic Times ranked it among their top five favourite agencies in a readers' poll.

* *Transactions included sales as well as rentals.*

OUTLOOK

The second half began with the return of Hong Kong to Chinese sovereignty. In no uncertain terms, the new Special Administrative Region Government warned that stern measures would be adopted to curb property speculation. With buyers taking a wait-and-see attitude, the volume as well as value of property transactions declined. This, in turn, had led the government to tone down its warning. As end-users resumed buying, the property sector began to stabilise in August.

Compared to the high volume of 115,673** property transactions recorded at the Land Registry in the first six months, the second half is likely to show a slowdown in activity. Even so, we project that the number of transactions will breach a decade-high and total over 200,000 for the full year. The Group believes that an active market invariably offers more opportunities for growth.

As has been recently announced, the government plans to make available an average of 85,000 residential units every year for the next ten years, dating retrospectively from this past April. However, new housing units are not expected to meet target in the next two years, so that demand still will exceed supply in the short run.

The Group believes that the new housing policy is more a boon than a threat to the secondary market. By increasing land supply and fostering the development of more housing units, the government will stimulate "trading-up" activity in the secondary market and offers the Group more business opportunities. With the launching of the Housing Society's "Flat-for-Sale Scheme" in September that allows units to change hands three years after completion, a new tier will emerge in the secondary market, offering the Group yet more room for growth.

Although the market has entered a consolidation phase in the third quarter, uncertainties will be dispelled once Chief Executive Tung Chee-hwa unveils details of the housing policy at his Policy Address in October. We are optimistic that market conditions will improve in the fourth quarter.

A possible uptrend of interest rates will remain a nagging concern in the second half. However, now that speculators have been making way for end-users, the dampening effect of another rate hike would be less acute. Supported by a client base of mostly end-users, the Group is poised to take advantage of this changing market environment.

The real estate agency licensing regulation has become law in May 1997. The Group is of the opinion that the new legislation will wean out the weaker agencies in an increasingly demanding environment. On the other hand, established agencies with a forward outlook will have a competitive edge. To prepare for the new challenges in the market environment, the Group has enhanced its information technology by upgrading its listing databank and launching a web site on the Internet. Moreover, we also conduct courses to update our agents on the requirements of the licensing legislation.

Depending on market and industry conditions, the Group will review its branch expansion plans. We have over 270 outlets, including those for which leases or purchase agreements have been signed. The Group is prepared to purchase more premises for self use, so as to reduce rental expenses.

On the China front, the Group had encouraging results in the first half, having launched several commercial and residential projects for major developers as their sales and leasing agency. Now that Hong Kong reverted to Chinese sovereignty, the symbiotic ties across the borders are strengthening. The Group looks forward to making more headway to develop its China business. To prepare for the new horizons, the Group will open by year-end a representative office in Beijing, thus adding to its branch presence in Guangzhou and Shanghai.

This is a year of intensifying competition for the real estate brokering industry. Quite a number of real estate agencies have gone on the fast track to expand. While the Group has proven its ability to foster stable earnings growth in the face of adverse market conditions, real estate agencies that are less financially sound or less professionally managed will feel the pinch. What may be a threat to competitors will be an opportunity for the Group to further develop its business according to its long-standing principle of steady, enterprising expansion. Barring any unforeseen circumstances, the Group holds a cautiously optimistic view of the rest of the year.

*** The figure includes all property units sold in the primary and secondary markets. Leasing transactions and land sales are excluded.*

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Directors are pleased to confirm that throughout the six months ended 30 June 1997, the Company has complied with the Code of Best Practice of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") except that independent non-executive directors are not appointed for a specified term as recommended under the Appendix 14 of the Listing Rules. According to the bye-laws of the Company, independent non-executive directors of the Company will retire by rotation 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.

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

1. Interests in Share Capital

As at 30 June 1997, the Directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporation [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	12,500,000 <i>[note (a)]</i> 10,232,000	255,000,000 <i>[note (c)]</i> 35,000,000 <i>[note (d)]</i>
Mr. Fung Yui Sum	12,500,000 <i>[note (b)]</i>	255,000,000 <i>[note (c)]</i> 44,710,000 <i>[note (e)]</i>
Mr. Ling Kwok Fai, Joseph	5,000,000	–
Ms. Ip Kit Yee, Kitty	310,000	–

- (a) These shares are held by Sunluck Services Limited in trust for Mr. Wong Kin Yip, Freddie.
- (b) 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.

Particulars and movements of share options granted to certain directors and chief executives of the Company pursuant to the above share option scheme were as follows:

Name	Date of grant	Balance outstanding as at 1 January 1997	Options granted during the period	Options exercised during the period	Balance outstanding as at 30 June 1997	Exercisable period	Exercise price HK\$
Mr. Wong Kin Yip, Freddie	13/5/1997	-	1,500,000	-	1,500,000	13/5/1997 to 13/5/2000	2.91
Mr. Fung Yui Sum	13/5/1997	-	1,500,000	-	1,500,000	13/5/1997 to 13/5/2000	2.91
Mr. Ling Kwok Fai, Joseph	13/5/1997	-	500,000	-	500,000	13/5/1998 to 13/5/2001	2.91
			500,000	-	500,000	13/5/1999 to 13/5/2002	2.91
Ms. Ip Kit Yee, Kitty	13/5/1997	-	500,000	-	500,000	13/5/1998 to 13/5/2001	2.91
			500,000	-	500,000	13/5/1999 to 13/5/2002	2.91
Mr. Cheung Kam Shing	18/10/1996	330,000	-	330,000 <i>(note)</i>	-	18/10/1996 to 18/10/1999	3.60
		825,000 #	-	-	825,000 #	18/10/1997 to 18/10/2000	1.44 #
		850,000 #	-	-	850,000 #	18/10/1998 to 18/10/2001	1.44 #
Ms. Lam Fung Fong	13/5/1997	-	500,000	-	500,000	13/5/1998 to 13/5/2001	2.91
			500,000	-	500,000	13/5/1999 to 13/5/2002	2.91

Note: the share options were exercised on 3 April 1997 and their market price on that date was HK\$8.45 per share (before adjustment for bonus issue made during the period).

adjusted to reflect the bonus issue made during the period

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 1997, 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 listed shares.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 1997, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

By Order of the Board
Wong Kin Yip, Freddie
Chairman

Hong Kong, 9 September 1997