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MIDLAND IC&I LIMITED

美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 459)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "Board") of Midland IC&I Limited (the "Company") is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 HK\$'000	2011 HK\$'000 (Restated)
Revenues	3(a)	814,368	457,104
Other income	4	12,486	6,537
Staff costs		(423,974)	(247,974)
Rebate incentives		(82,680)	(36,860)
Advertising and promotion expenses		(18,172)	(11,541)
Operating lease charges in respect of office and shop premises		(20,382)	(13,821)
Impairment of receivables		(41,968)	(18,442)
Depreciation		(4,028)	(3,437)
Other operating costs		(33,717)	(25,795)
Operating profit	5	201,933	105,771
Finance income	6	5,230	2,918
Finance costs	6	(297)	(624)
Profit before taxation		206,866	108,065
Taxation	7	(31,044)	(16,722)
Profit for the year		175,822	91,343
Other comprehensive income			
Currency translation differences		(18)	(137)
Total comprehensive income for the year		175,804	91,206

* For identification purposes only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)*For the year ended 31 December 2012*

	<i>Note</i>	2012 HK\$'000	2011 <i>HK\$'000</i> (Restated)
Profit attributable to:			
Equity holders		175,822	91,343
Non-controlling interests		-	-
		175,822	91,343
Total comprehensive income attributable to:			
Equity holders		175,804	91,206
Non-controlling interests		-	-
		175,804	91,206
Earnings per share	<i>8</i>	HK cents	<i>HK cents</i> (Restated)
Basic		1.283	0.669
Diluted		1.283	0.669

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	As at 31 December 2012 HK\$'000	As at 31 December 2011 HK\$'000 (Restated)	As at 1 January 2011 HK\$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		9,175	5,567	4,721
Investment properties		52,670	40,640	35,100
Deferred taxation assets		5,371	1,801	3,102
		<u>67,216</u>	<u>48,008</u>	<u>42,923</u>
Current assets				
Trade and other receivables	10	462,867	130,404	205,888
Financial assets at fair value through profit or loss		155	130	163
Tax recoverable		-	1,576	-
Cash and bank balances		488,051	406,813	316,002
		<u>951,073</u>	<u>538,923</u>	<u>522,053</u>
Total assets		<u>1,018,289</u>	<u>586,931</u>	<u>564,976</u>
EQUITY AND LIABILITIES				
Equity holders				
Share capital		137,000	83,000	83,000
Share premium		549,168	85,816	85,816
Reserves		(44,646)	296,902	205,134
		<u>641,522</u>	<u>465,718</u>	<u>373,950</u>
Non-controlling interests		-	-	-
Total equity		<u>641,522</u>	<u>465,718</u>	<u>373,950</u>
Non-current liabilities				
Convertible notes		-	-	7,631
Deferred taxation liabilities		486	339	256
		<u>486</u>	<u>339</u>	<u>7,887</u>
Current liabilities				
Convertible notes		-	2,627	-
Trade and other payables	11	346,237	106,447	164,499
Bank loan		10,926	11,800	12,663
Taxation payable		19,118	-	5,977
		<u>376,281</u>	<u>120,874</u>	<u>183,139</u>
Total liabilities		<u>376,767</u>	<u>121,213</u>	<u>191,026</u>
Total equity and liabilities		<u>1,018,289</u>	<u>586,931</u>	<u>564,976</u>
Net current assets		<u>574,792</u>	<u>418,049</u>	<u>338,914</u>
Total assets less current liabilities		<u>642,008</u>	<u>466,057</u>	<u>381,837</u>

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is a limited liability company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal office in Hong Kong is Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

The principal activities of the Group are provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong.

2. Basis of preparation

(a) The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property and financial assets at fair value through profit or loss, which are carried at fair values.

(b) Standards, interpretations and amendments effective in 2012

HKAS 12 (Amendment)
HKFRS 7 (Amendment)

Deferred Tax: Recovery of Underlying Assets
Financial Instruments: Disclosures – Transfers of
Financial Assets

In December 2010, the HKICPA amended Hong Kong Accounting Standard (“HKAS”) 12, “Income taxes”, to introduce an exception to the principle for the measurement of deferred taxation assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred taxation relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

2. Basis of preparation (continued)

(b) Standards, interpretations and amendments effective in 2012 (continued)

The Group has investment properties measured at their fair values totalling HK\$40,640,000 as of 1 January 2012. The Group has adopted the amendment to HKAS 12 for the financial period beginning on 1 January 2012 and has applied the amendment retrospectively by re-measuring the deferred taxation relating to the investment properties according to the tax consequence on the presumption that they are recovered entirely by sale. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarised below:

Effect on consolidated balance sheet

	As at 31 December 2012 HK\$'000	As at 31 December 2011 HK\$'000	As at 1 January 2011 HK\$'000
Decrease in deferred taxation liabilities	(3,922)	(1,937)	(1,083)
Increase in retained earnings	3,922	1,937	1,083

Effect on consolidated income statement

	For the year ended 31 December	
	2012 HK\$'000	2011 HK\$'000
Decrease in deferred tax expense	(1,985)	(854)
Increase in profit attributable to equity holders	1,985	854
Increase in basic earnings per share	HK 0.014 cents	HK 0.006 cents
Increase in diluted earnings per share	HK 0.014 cents	HK 0.006 cents

There are no other amended standards and interpretations that are effective in 2012 which could be expected to have significant effect on the financial information of the Group or result in any significant changes in the Group's significant accounting policies.

2. Basis of preparation (continued)

(c) Standards, interpretations and amendments which are not yet effective

The following new standards and amendments to standards have been issued but are not effective for 2012 and have not been early adopted by the Group.

Effective for the year ending 31 December 2013

HKAS 19 (Revised 2011)	Employee Benefits
HKAS 27 (Revised 2011)	Separate Financial Statements
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
Amendments to HKFRS 10, HKFRS 11 and HKFRS12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

Effective for the year ending 31 December 2014

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
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Effective for the year ending 31 December 2015

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures
HKFRS 9	Financial Instruments

The Group is assessing the impact of these new or revised standards and amendments to standards. The adoption of these new or revised standards and amendments to standards will not result in a significant impact on the results and financial position of the Group.

3. Revenues and segment information

(a) Revenues

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Turnover		
Agency fee	795,291	435,366
Internet education and related services	17,332	20,338
	<u>812,623</u>	<u>455,704</u>
Other revenue		
Rental income from a fellow subsidiary	1,707	1,368
Rental income from third party	38	32
	<u>1,745</u>	<u>1,400</u>
Total revenues	<u>814,368</u>	<u>457,104</u>

(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 business principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, and other business which mainly includes the provision of internet education and its related services.

3. Revenues and segment information (continued)

(b) Segment information (continued)

	Year ended 31 December 2012				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Total revenues	312,302	156,993	359,825	17,451	846,571
Inter - segment revenues	(18,558)	(7,562)	(7,709)	(119)	(33,948)
Revenues from external customers	293,744	149,431	352,116	17,332	812,623
Segment results	81,542	34,630	95,252	(3,984)	207,440
Impairment/(recoverable) of receivables	16,157	9,038	16,808	(35)	41,968
Depreciation	699	1,210	919	793	3,621
Additions to non-current assets	2,809	733	3,411	505	7,458
	Year ended 31 December 2011				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Total revenues	225,721	80,139	139,758	20,520	466,138
Inter - segment revenues	(6,360)	(1,537)	(2,355)	(182)	(10,434)
Revenues from external customers	219,361	78,602	137,403	20,338	455,704
Segment results	66,169	15,574	35,564	(126)	117,181
Impairment of receivables	6,745	6,531	5,166	-	18,442
Depreciation	759	1,004	416	573	2,752
Additions to non-current assets	361	2,364	1,099	1,746	5,570

3. Revenues and segment information (continued)

(b) Segment information (continued)

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, fair value gain on investment properties, finance income, finance costs and taxation are not included in the segments 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 statement of comprehensive income.

Reportable revenues from external customers are reconciled to total revenues as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenues from external customers for reportable segments	812,623	455,704
Rental income from a fellow subsidiary	1,707	1,368
Rental income from third party	38	32
	<hr/>	<hr/>
Total revenues per consolidated statement of comprehensive income	814,368	457,104
	<hr/>	<hr/>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Segment results for reportable segments	207,440	117,181
Corporate expenses	(17,537)	(16,585)
Fair value gain on investment properties	12,030	5,175
Finance income	5,230	2,918
Finance costs	(297)	(624)
	<hr/>	<hr/>
Profit before taxation per consolidated statement of comprehensive income	206,866	108,065
	<hr/>	<hr/>

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and financial assets at fair value through profit or loss, which are managed on a central basis. The following is total segment assets and liabilities by reportable segment:

3. Revenues and segment information (continued)

(b) Segment information (continued)

As at 31 December 2012

	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	
Segment assets	154,856	121,522	251,687	15,639	543,704
Segment liabilities	94,187	61,640	165,346	9,521	330,694

As at 31 December 2011

	Property agency				Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	
Segment assets	67,637	76,608	43,302	15,629	203,176
Segment liabilities	51,420	21,904	17,087	5,486	95,897

Reportable segment assets are reconciled to total assets as follows:

	2012 HK\$'000	2011 HK\$'000
Segment assets	543,704	203,176
Corporate assets	469,059	380,248
Deferred taxation assets	5,371	1,801
Financial assets at fair value through profit or loss	155	130
Tax recoverable	-	1,576
Total assets per consolidated balance sheet	1,018,289	586,931

Reportable segment liabilities are reconciled to total liabilities as follows:

	2012 HK\$'000	2011 HK\$'000 (Restated)
Segment liabilities	330,694	95,897
Corporate liabilities	45,587	24,977
Deferred taxation liabilities	486	339
Total liabilities per consolidated balance sheet	376,767	121,213

4. Other income

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Fair value gain on investment properties	12,030	5,175
Gain on disposal of subsidiaries	-	785
Others	456	577
	<u>12,486</u>	<u>6,537</u>

5. Operating profit

Operating profit is arrived at after charging:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss on disposal of property, plant and equipment	282	331
Auditor's remuneration	844	797
Unrealised (gain)/loss on financial assets at fair value through profit or loss	(25)	33
	<u> </u>	<u> </u>

6. Finance income and costs

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Finance income		
Bank interest income	<u>5,230</u>	<u>2,918</u>
Finance costs		
Finance cost of convertible notes wholly repayable within five years	(73)	(396)
Interest on borrowings not wholly repayable within five years (note)	<u>(224)</u>	<u>(228)</u>
	<u>(297)</u>	<u>(624)</u>
Finance income, net	<u>4,933</u>	<u>2,294</u>

Note: The classification by repayment period is based on the scheduled repayment dates set out in the loan agreements and ignores the effect of any repayment on demand clause.

7. Taxation

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Current		
Hong Kong profits tax	34,467	15,338
Deferred	(3,423)	1,384
	<u>31,044</u>	<u>16,722</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

8. Earnings per share

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Profit attributable to equity holders	175,822	91,343
Effect on interest expense on convertible notes, net of tax	-	331
	<u>175,822</u>	<u>91,674</u>
Profit for calculation of basic and diluted earnings per share	<u>175,822</u>	<u>91,674</u>
Number of shares in issue (thousands)	13,700,000	8,300,000
Effect on conversion of convertible notes (thousands)	-	5,400,000
	<u>13,700,000</u>	<u>13,700,000</u>
Number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000
Effect on conversion of share option (thousands)	-	-
	<u>13,700,000</u>	<u>13,700,000</u>
Number of shares for calculation of diluted earnings per share (thousands)	<u>13,700,000</u>	<u>13,700,000</u>
Basic earnings per share (HK cents)	1.283	0.669
Diluted earnings per share (HK cents)	1.283	0.669

For the year ended 31 December 2011, basic earnings per share is calculated by adjusting the weighted average number of shares to take effect of the convertible notes since the convertible notes are mandatory convertible. The convertible notes are assumed to have been converted into shares from the date of the issuance of the convertible notes, and the net profit is adjusted to eliminate the interest expense less the tax effect. On 6 June 2012, the convertible notes have been converted into shares.

8. Earnings per share (continued)

In calculating the diluted earnings 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 annual market share 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 earnings per share for the year ended 31 December 2012 and 2011 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

9. Dividend

The Board does not recommend the payment of a dividend for the year ended 31 December 2012 (2011: Nil).

10. Trade and other receivables

The 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Not yet due	409,554	102,793
Less than 30 days	26,205	7,195
31 to 60 days	4,835	5,624
61 to 90 days	1,489	2,646
91 to 180 days	3,199	1,487
Over 180 days	1,710	772
	<u>446,992</u>	<u>120,517</u>

11. Trade and other payables

Commissions payable to property consultants and co-operative estate agents are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK\$32,152,000 (2011: HK\$15,029,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2012, the Group recorded net profit of HK\$175,822,000, representing an increase of 92% comparing with that of 2011. The revenue for the year also increased by 78% to HK\$814,368,000. 2012 was a profitable year for the Group, during which the Group's results were striking and reached record-high. In the fourth quarter of last year, the introduction of the Buyer's Stamp Duty (BSD) and enhanced Special Stamp Duty on residential properties by the government affected the overall property market. Unaffected by those measures, the non-residential (industrial and commercial properties and shops) ("non-residential") market became a safe haven for investors. The policy changes coupled with the third round of quantitative easing measures (QE3) in the US, investors became increasingly interested in investing in this sector. The market uptrend in the first half of the year continued for the rest of the year, the Group's performance in the second half of the year was in line with that of the market. According to the figures of the Land Registry, the number and value of the agreements for sale and purchase of non-residential properties registered in 2012 reached a new high since the handover in 1997.

Since the Lunar New Year in 2012, the transactions of the non-residential market rebounded rapidly. In the subsequent three quarters, the number and value of agreements for sale and purchase of non-residential properties registered with the Land Registry increased. Apart from a series of indicative transactions of commercial buildings and shops located in core business districts and on first-tier streets in retail business districts, projects of subdividing shopping arcades into individual units for sale in other districts heated up as well. For example, "H8", being acquired by an investor, was swiftly subdivided for sale with all units being sold out in less than three weeks.

Meanwhile, "t.mark", a shopping arcade investment project worth over HK\$900 million, was subdivided into approximately 237 units for sale at the end of 2012 and had immediately gained strong market response with all units being sold out within a few days. This project represented a landmark case of success amid the recent trend of sale of subdivided shopping arcades, affirming the strong interest of investors of non-residential market in the new subdivision projects. In review of 2012, the upbeat of the prospect of the retail sector was optimistic as a result of the flourishing tourism sector. Record-high transactions for retail shops in Kowloon and Hong Kong Island took place, boosting the number of transactions and the retail rental market. Last year, a number of retail shops was leased at record-breaking rent per square foot.

In a market full of opportunities and with the synergy of our management and staff, the Group has achieved outstanding results in 2012, which was attributable to the unity and dedication of our management and staff. The Company has always stressed the importance of team spirit and has actively encouraged cross-departmental co-operation and co-operation with affiliates in order to develop more business opportunities. A number of sizable transactions took place last year through the co-operation with the residential division and Mainland division of Midland Holdings Limited (stock code: 1200), the holding company of the Company, which fully demonstrated the spirit of solidarity.

Last year, the Group captured various opportunities and expanded actively. The total number of frontline and back office staff increased by 55% to 853 people with more resources deployed on staff training. The network of our branches was stretched to cover various districts in Hong Kong Island, Kowloon and the New Territories. In addition, Hong Kong Property Services (IC&I) Limited, a subsidiary of the Group, established its commercial division by taking advantage of the market uptrend. The Group also actively formulated various marketing strategies to develop its business and brand in order to strengthen the Company's position in the non-residential market. Over the years, the Group was well recognized by various institutions and was awarded the "Excellent Brand of Commercial Property Agent 2012" by the Hong Kong Leaders' Choice for six consecutive years, the "Outstanding Brand Award 2012" by the Economic Digest and the "Asia Excellence Brand Award 2012" by Yazhou Zhoukan etc.

Outlook

2013 will be a year full of opportunities and challenges. The Company will continue to seize the market, stay abreast of the market and enhance its market competitiveness.

Policy intervention may suppress transactions

The uncertainties in global economies, coupled with the government interventions on the non-residential market, the increase in transaction costs and lowering of mortgage ratios, have casted doubt on the development of the non-residential market. The demand for short-term investment and speculation will be dampened, possibly dragging in property users at the same time. As the government has now adopted a different approach towards the non-residential market, the Company will continue to closely monitor the government policies. Therefore, the Group will adopt a cautiously optimistic approach on expansion and development plan this year.

Fundamentals remain sound

However, given the continued effect of the US quantitative easing measures and the subsequent loose monetary policies of Europe and Japan, liquidity in the market is expected to remain ample. Moreover, as there are fewer restrictions on the non-residential market than the residential property market, investment in non-residential properties are expected to remain as a good investment option.

In fact, industrial and commercial properties and shops have their own advantages. The government's aggressive promotion of the policy of "Revitalization of Industrial Buildings" is beneficial to the development of industrial and commercial properties. The gradual improvement of the global business environment has boosted confidence of foreign and state-owned enterprises to expand in Hong Kong, resulting in an increase in demand for office space. Regarding the shops market, despite there has been a slowdown in the growth of the retail sector, it is believed that the strong consumption power of Mainland individual visitors will likely support its stable development.

Seize market opportunities, optimize network to capture market share

The Company continues to aim at seizing market share. To explore more new business opportunities, the Company will capitalize its success and advance by implementing diversified business and brand development strategies in order to continuously build up its market leading position and encourage cross-departmental co-operation and co-operation with affiliates, with a view to secure more business opportunities.

Attract talents and actively explore new bases

The Company makes appointments on the basis of the merit of individuals concerned and values its staff as precious assets. This year, the Company will further strengthen staff training to enhance their professional standard. The Company will keep abreast of the market trend and base on the competitive environment, periodically review its network and human resources so as to deliver “prompt, precise, sincere, caring and professional” services to customers, thereby demonstrating its corporate strength.

Contribute to society and undertake our corporate social responsibility

The Company is also committed to giving back to the community and has actively undertaken corporate social responsibility. Our management has set a good example and will continue to lead the staff to participate in volunteer activities and provide support to various community activities through donations and other forms of sponsorships, thereby giving a helping hand to the needy in society.

Keep abreast of market and undaunted by market challenges

The Company will continue to keep abreast of the market pace and react with appropriate deployment strategies in accordance with the changes in the competitive environment so as to meet different market challenges. In the recent Budget, the government will make significant investment in tourism infrastructure such as the expansion plans of Ocean Park and Disneyland, and continue to increase the supply of hotel rooms through multiple initiatives. These have demonstrated the government’s determination to develop the tourism sector. The positive prospect of Hong Kong tourism sector will benefit the development of non-residential market in the long run, and the Group remains cautiously optimistic about the market.

FINANCIAL REVIEW

Liquidity, Financial Resources and Funding

As at 31 December 2012, the Group had cash and bank balances of HK\$488,051,000 (2011: HK\$406,813,000), whilst bank loan amounted to HK\$10,926,000 (2011: HK\$11,800,000). The Group's bank loan was secured by investment properties held by the Group of HK\$52,670,000 (2011: HK\$40,640,000) and with maturity profile set out as follows:

Repayable	2012 HK\$'000	2011 HK\$'000
Within 1 year	893	871
After 1 year but within 2 years	910	889
After 2 years but within 5 years	2,838	2,775
Over 5 years	6,285	7,265
	10,926	11,800

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.

As at 31 December 2012, the Group had unutilised banking facilities amounting to HK\$15,500,000 (2011: HK\$15,500,000) from various banks. The Group's cash and bank balances are deposited in Hong Kong Dollars and the Group's bank loan is in Hong Kong Dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2012, the gearing ratio of the Group was 1.7% (2011: 3.1%). The gearing ratio is calculated on the basis of the Group's total bank loans and liability portion of convertible notes over total equity of the Group. 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 2.5 (2011: 4.5).

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.

Capital structure and foreign exchange exposure

On 6 June 2012, the Company issued 5,400 million ordinary shares of HK\$0.01 each upon full conversion of the convertible notes. Except for the aforementioned, there was no material change in the Company's capital structure during the year. The Group generally finances its operations and investing activities with equity holders' funds.

The Group's income and monetary assets and liabilities are mainly denominated in Hong Kong Dollars. The Directors considered that the foreign exchange exposure of the Group is minimal.

Contingent liabilities

As at 31 December 2012, the Company executed corporate guarantees amounting to HK\$29,780,000 (2011: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to its wholly-owned subsidiaries. As at 31 December 2012, HK\$10,926,000 of the banking facilities were utilised by a subsidiary (2011: HK\$11,800,000).

Employee information

As at 31 December 2012, the Group employed 853 full-time employees (2011: 551).

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 profit 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

CORPORATE GOVERNANCE

The Company has complied with the requirements of all the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) (the "Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2012, except for the deviation as explained below:

Due to other business engagements, Mr. HO Kwan Tat, Ted, being the Independent Non-executive Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee, and Mr. TSANG Link Carl, Brian, being the Non-executive Director, were unable to attend the annual general meeting of the Company held on 10 May 2012 and Mr. TSANG Link Carl, Brian was also unable to attend the extraordinary general meeting of the Company held on 13 December 2012 as provided for in A.6.7 of the Code.

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.

Specific enquiries had been made to all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2012 except that Mr. WONG Hon Shing, Daniel, being the Chief Executive Officer and Executive Director, acquired 8,000,000 shares of the Company without due compliance with the Model Code and the Company's code of conduct regarding Directors' securities transactions before dealing. In this connection, a clarification announcement was made by the Company on 5 December 2012. The Company has taken remedial action to prevent non-compliance by the Directors in the future by reminding the Directors of the proper procedures regarding Directors' securities transactions pursuant to the Model Code.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2012. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2012 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandici.com.hk). The 2012 Annual 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.

APPRECIATION

I would like to take this opportunity to express our heartfelt gratitude to our shareholders and customers for their continuous support and to the management and all staff for their hard work and dedication throughout the year.

By Order of the Board
Midland IC&I Limited
WONG Hon Shing, Daniel
Chief Executive Officer and Executive Director

Hong Kong, 14 March 2013

As at the date of this announcement, the Board comprises seven Directors, of which three are Executive Directors, namely Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; one is Non-executive Director, namely Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate); and three are Independent Non-executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted.