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 FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors (the "Board" or the "Directors") of Midland IC&I Limited (the "Company" or "Midland IC&I") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008 together with comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	3	**257,598**	464,405
Other income		**357**	167
Staff costs		**(133,644)**	(234,400)
Rebate commissions		**(19,932)**	(34,666)
Advertising and promotion expenses		**(14,825)**	(16,231)
Operating lease charges in respect of office and shop premises		**(14,386)**	(13,705)
Impairment of receivables		**(33,847)**	(28,741)
Depreciation		**(2,945)**	(3,545)
Other operating costs		**(37,449)**	(41,518)
Operating profit	4	**927**	91,766
Finance income		**3,040**	5,580
Finance costs		**(1,322)**	(1,077)
Profit before taxation		**2,645**	96,269
Taxation	5	**(3,505)**	(18,285)
(Loss)/profit for the year		**(860)**	77,984
Attributable to:			
Equity holders		**(607)**	78,449
Minority interests		**(253)**	(465)
		(860)	77,984
Earnings per share	7	***HK cent***	*HK cent*
Basic		**0.003**	0.578
Diluted		**0.003**	0.576

* For identification purposes only

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,244**	4,780
Deferred taxation assets		**1,643**	4,635
		4,887	9,415
Current assets			
Trade and other receivables	*8*	**52,487**	227,444
Financial assets at fair value through profit or loss		**110**	2,550
Taxation recoverable		**7,280**	1,143
Cash and bank balances		**180,374**	143,291
		240,251	374,428
Total assets		**245,138**	383,843
EQUITY AND LIABILITIES			
Equity holders			
Share capital		**83,000**	83,000
Reserves		**92,428**	93,077
		175,428	176,077
Minority interests		**–**	253
Total equity		**175,428**	176,330
Non-current liabilities			
Convertible notes		**16,705**	20,815
Deferred taxation liabilities		**1**	13
		16,706	20,828
Current liabilities			
Trade and other payables	*9*	**52,661**	172,847
Taxation payable		**343**	13,838
		53,004	186,685
Total liabilities		**69,710**	207,513
Total equity and liabilities		**245,138**	383,843
Net current assets		**187,247**	187,743
Total assets less current liabilities		**192,134**	197,158

NOTE TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Midland IC&I Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and listed in Hong Kong. On 18 August 2008, the Company transferred the listing of its shares from Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of 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, One Grand Tower, 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION

(i) 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 financial assets at fair value through profit or loss.

(ii) In 2008, the Group adopted HK(IFRIC)-Interpretation 11 "HKFRS 2 – Group and Treasury Share Transactions" issued by the HKICPA which is relevant to the Group's operations. The adoption of this interpretation did not have any significant effect on the results and financial position or changes in the accounting policies of the Group.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2008	2007
	HK$'000	*HK$'000*
Turnover		
Agency fee	**237,792**	440,883
Internet education and related services	**19,806**	23,522
	257,598	464,405

(b) Segment information

The Group is organised into three main business segments including property agency businesses in respect of commercial and industrial properties and shops and other business mainly includes the provision of internet education and related services.

	Year ended and as at 31 December 2008				
	Property agency				
	Commercial	**Industrial**	**Shops**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**104,457**	**47,870**	**85,465**	**19,806**	**257,598**
Segment results	**12,021**	**1,861**	**4,375**	**(4,856)**	**13,401**
Unallocated costs					**(12,474)**
Operating profit					**927**
Finance income					**3,040**
Finance costs					**(1,322)**
Profit before taxation					**2,645**
Taxation					**(3,505)**
Loss for the year					**(860)**
Segment assets	**19,224**	**34,445**	**18,711**	**14,747**	**87,127**
Unallocated assets					**158,011**
Total assets					**245,138**
Segment liabilities	**18,621**	**16,561**	**12,828**	**3,403**	**51,413**
Unallocated liabilities					**18,297**
Total liabilities					**69,710**
Capital expenditure	**421**	**2,001**	**393**	**1,066**	**3,881**
Depreciation	**543**	**904**	**590**	**908**	**2,945**
Impairment of property, plant and equipment	**–**	**–**	**–**	**1,763**	**1,763**
Impairment of trade receivables	**20,500**	**10,115**	**3,051**	**181**	**33,847**

	Year ended and as at 31 December 2007				
	Property agency				
	Commercial	Industrial	Shops	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	246,123	89,339	105,421	23,522	464,405
Segment results	69,261	13,285	20,651	(2,903)	100,294
Unallocated costs					(8,528)
Operating profit					91,766
Finance income, net					4,503
Profit before taxation					96,269
Taxation					(18,285)
Profit for the year					77,984
Segment assets	133,933	157,811	50,726	8,993	351,463
Unallocated assets					32,380
Total assets					383,843
Segment liabilities	95,439	38,711	33,097	5,621	172,868
Unallocated liabilities					34,645
Total liabilities					207,513
Capital expenditure	476	99	688	1,508	2,771
Depreciation	816	832	900	997	3,545
Impairment of trade receivables	17,117	6,664	4,978	(18)	28,741

No analysis of the segment information by geographical segment is presented as no activities and operations of an internally reported geographical segment attributable to markets outside Hong Kong is more than 10% of the activities and operations of the Group.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, trade and other receivables and operating cash and mainly exclude amounts due from group companies and taxation recoverable. Segment liabilities comprise operating liabilities and mainly exclude amounts due to group companies and taxation payable.

4. OPERATING PROFIT

Operating profit included net realised and unrealised loss on financial assets at fair value through profit or loss of HK$2,603,000 (2007: HK$960,000).

5. TAXATION

	2008	2007
	HK$'000	*HK$'000*
Current		
Hong Kong profits tax	**525**	21,313
Deferred	**2,980**	(3,028)
	3,505	18,285

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

6. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil).

7. EARNINGS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders	**(607)**	78,449
Effect on interest expense on convertible notes, net of tax	**1,077**	715
Profit for calculation of basic and diluted earnings per share	**470**	79,164
Number of shares in issue (thousands)	**8,300,000**	8,300,000
Effect on conversion of convertible notes (thousands)	**5,400,000**	5,400,000
Number of shares for calculation of basic earnings per share (thousands)	**13,700,000**	13,700,000
Effect on conversion of share option (thousands)	**–**	47,362
Number of shares for calculation of diluted earnings per share (thousands)	**13,700,000**	13,747,362
Basic earnings per share (HK cent)	**0.003**	0.578
Diluted earnings per share (HK cent)	**0.003**	0.576

Basic earnings per share is calculated by adjusting the 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 when the combining entities first came under the control of the controlling party, and the net (loss)/profit is adjusted to eliminate the interest expense less the tax effect.

In calculating the diluted earnings per share the number of shares is further 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 issued assuming the exercise of the share options.

8. TRADE RECEIVABLES

The trade receivables represents principally agency fee receivables from customers whereby no general credit facilities are available. The customers are obliged to settle the amounts upon the completion of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Not yet due	**25,424**	188,751
Less than 30 days	**7,714**	10,879
31 to 60 days	**1,167**	4,887
61 to 90 days	**840**	1,283
91 to 180 days	**3,765**	9,219
	38,910	215,019

9. TRADE PAYABLE

The trade payables represent principally the commissions payable to property consultants, cooperative estate agents and fellow subsidiaries. The trade payables are due for payment only upon the receipt of corresponding agency fees from customers. The trade payables includes commission payables of HK$6,087,000 (2007: HK$15,368,000) which are due for payment within 30 days, and all the remaining trade payables are not yet due.

BUSINESS REVIEW

Hong Kong's business environment has been adversely affected by the drastic downturn of the global economy since the financial tsunami in September 2008. As a result, the Group took positive measures immediately to consolidate operations including rationalising the branch network and the size of workforce to sustain business development in 2009. The Group recorded a loss of HK$860,000 for the year ended 31 December 2008.

Property Market Hit By Crisis

The property market had a disappointing year in 2008. Despite a steady performance in the first half of the year, sentiment weakened in the third quarter and had been aggravated by the financial crisis in last September. According to the Land Registry, registrations of non-residential property transactions recorded a 10-year low in the fourth quarter of 2008. With the sluggish market conditions, the Group recorded a 46% decrease in agency fee income to HK$237,792,000.

The industrial and commercial properties and shops sector were hit in particular between September and November last year as the stock market fluctuations dampened the confidence of investors and end-users. During the period, number of transactions dropped sharply because of the shortfall in property valuation and mortgage lending arising from the banking sector's tightened mortgage policy. Last October was the worst performing month in recent years. Property prices registered a double digit decline within these few months while the total consideration of transactions decreased by about 20% to 30% in the fourth quarter.

Higher Risk of Bad Debt

The sharp fall in property prices has increased significantly the risk of bad debt in terms of uncollectible agency fee receivables. During the booming period between 2007 and the first quarter of 2008, a number of property buyers had concluded transactions with a longer settlement period. Given the drastic price correction in the fourth quarter of 2008, many of them forfeited the downpayment to cancel the deals, which subsequently caused an increase in the amount of bad debt suffered by the Group.

Gaining On Major Transactions

Nevertheless, the Group concluded some large-sized property transactions amidst the unfavourable market sentiment in the second half of the year. In the residential sector, the Group also closed a number of deals in the new home sector in partnership with the subsidiaries of the parent company, Midland Holdings Limited.

The Group took decisive steps in response to the dramatic turn of the market. The retail network was streamlined accordingly, reducing the number of branches in the second half of the year. The strategy focused on consolidating branches within the same district to increase management and operational efficiency. For example, a branch in Cheung Sha Wan and another in Kwai Chung were closed. In East Kowloon, the branches in Kowloon Bay and San Po Kong were closed to concentrate business resources in operations around the Kwun Tong area. With the decline in property transactions, the Group has adopted a prudent strategy to consolidate business and raise productivity to cope with the property market downturn. The number of staff was cut back by over 20% in the second half of 2008 and the total operating costs declined in the final quarter.

OUTLOOK

The global economy has plunged into recession, creating uncertainties over the business and investment prospect. It will be full of challenges for the Hong Kong economy in the first half of 2009 and the prospect in the second half will largely hinge on whether or not the United States can recover quickly from the property crisis and the fallout of the credit crunch. China will continue to be the key support to Hong Kong's economic growth so far as the US and Europe are still struggling in the troubled waters.

Investors Wary of Uncertainty

The unfavourable market conditions will inevitably dampen the buying interest and make short-term investors more cautious in entering into deals. However, most of the industrial and commercial property owners face no pressure to sell assets at discounts given their relatively strong holding power and the low interest rate environment. With buyers and sellers adopting a wait-and-see strategy, the Group expects the industrial and commercial properties and shops sector to remain sluggish in the short term since the Group believes office property market will be still affected by many adverse factors.

Improving Productivity and Cost Control

In 2009, the Group will take the initiative to sharpen staff productivity and cut operating costs in accordance with the principle of prudent business management. We will take advantage of the downturn to recruit senior and experienced agents in the industry, and if necessary, will consider further business consolidation such as restructuring the operational scale. At the start of 2009, the Group closed another branch in secondary location and embarked on plans to streamline further the retail network to reduce rental expenses, including cutting back the floor space of its office premises.

Looking ahead, the Group will continue to seize opportunities to grow business with the leasing market being a key segment for further development. The property leasing sector has been active for a period of time and this trend is expected to continue in the near term. The leasing activity for shops should benefit from China's further extension of the individual travellers policy. Starting from April, Shenzhen citizen can apply for multiple visas to Hong Kong valid for one year and from May, non-Guangdong citizens living in Shenzhen can apply for tourist permit to visit Hong Kong. The spending of mainland tourists will add fuel to local consumption and the retail property market. Despite the prospect of rising unemployment, the lower and middle-end consumption is unlikely to be hit significantly while the decline in rental costs probably will encourage retailers of basic necessities to explore expansion opportunities and people to start own business. We expect to see continued rental demand for shops that will lend support to the prospect of retail property leasing.

The key objectives for this year are strengthening operational efficiency and maintaining our share in the market. The management of the Group will monitor the market closely and take actions promptly to improve business efficiency and control costs.

Seizing Opportunities

The management is particularly pleased with the Group's successful transfer from the Growth Enterprise Market to the Main Board of the Stock Exchange in 2008, which marked a milestone in business development. Regardless of the impact of the global financial crisis, the Group continued to maintain its market position as well as the management's profound expertise and extensive experience. These strengths successfully took the company through the ups and downs of property cycles between 1997 and 2003 including the Asian financial turmoil, the technology bubble burst and the SARS crisis, and enabled the Group to increase competitiveness and enhance its leading position in the industry during tough times. Likewise, the management will take on the challenges positively and explore business opportunities in the latest market downturn.

Over the years, the Group has established close and strong relationships with a large pool of customers including end-users, entrepreneurs and investors. With the management's deep knowledge and experience in the property agency industry, a high level of professional services and the perseverance of staff, the board of directors has full confidence in the future of business development.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 31 December 2008, the Group maintained healthy financial position with cash and bank deposits of HK$180,374,000.

The Group generally finances its operations and investing activities with internally generated cash flows. As at 31 December 2008, the Group had net current assets of HK$187,247,000 (2007: HK$187,743,000), including cash and bank deposits of HK$180,374,000 (2007: HK$143,291,000). There were non-current liabilities of HK$16,706,000 (2007: HK$20,828,000). The Group did not have any bank borrowings and pledged its fixed deposits of HK$216,000 as at 31 December 2008 (2007: HK$215,000). The gearing ratio, which represents the percentage of long term borrowings over total equity of the Group as at 31 December 2008, was 9.5%. 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 4.5. The Directors believe that the existing financial resources of the Group are sufficient to fulfill its commitments, current working capital requirements and further development.

Transferred Listing from GEM to the Main Board of the Stock Exchange

On 3 April 2008, the Company filed an application with the Stock Exchange for the proposed listing of the shares of the Company on the Main Board of the Stock Exchange (the "Main Board Listing") by way of introduction. The Directors believed that the Main Board Listing will enhance the profile of the Group and improve trading liquidity of the shares of the Company. The Directors also considered that the Main Board Listing would be beneficial to the future growth, financing flexibility and business development of the Group.

On 2 May 2008, the Stock Exchange announced the streamlined transfer arrangements from GEM to Main Board be effected on 1 July 2008. The Company decided to proceed with the Main Board Listing under the streamlined transfer of listing arrangements and an announcement to advise update development of Main Board Listing was made on 21 May 2008. The Directors considered that it was in the interests of the Company as it should allow the Company to achieve its Main Board listing objective, at a considerable lower cost, both financially and in terms of manpower resources. On 4 July 2008, the Company submitted a formal application for the Main Board Listing under the new transfer of listing arrangements pursuant to the revised Listing Rules.

On 8 August 2008, the Listing Division of the Stock Exchange granted an approval in principle of the Main Board Listing to the Company and then the listing of shares of the Company was successfully transferred from GEM to the Main Board on 18 August 2008.

Capital Structure and Foreign Exchange Exposure

During the year, there was no change in the Company's capital structure. 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 dollar. The Directors considered that the foreign exchange exposure of the Group is minimal.

Employee Information

As at 31 December 2008, the Group employed 475 full-time employees. Employee costs (including directors' remuneration) were HK$133,644,000 (2007: HK$234,400,000).

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. On 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 2008.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code of Corporate Governance Practices as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Appendix 15 of GEM Listing Rules respectively throughout the year ended 31 December 2008.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has established 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 in Appendix 10 of the Listing Rules and required standard of dealing as contained in Chapter 5 of the GEM Listing Rules (the "Required Standard") respectively.

On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code, the Required Standard and the Company's code of conduct regarding Director's securities transactions for the year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2008.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2008. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Company's auditors, 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 Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2008 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandicicorp.com.hk). The 2008 Annual Report will be despatched to the shareholders and will be available in the websites of the Stock Exchange and the Company in due course.

APPRECIATION

Finally, I would like to take this opportunity to express our sincere 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 Tsz Wa
Executive Director and Chief Executive Officer

Hong Kong, 17 March 2009

As at the date of this announcement, the Board of the Company comprises six Directors, of which two are executive Directors, namely Ms. Tang Mei Lai, Metty and Mr. Wong Tsz Wa; one non-executive Director, namely Mr. Tsang Link Carl, Brian; and three are independent non-executive Directors, namely Mr. Ying Wing Cheung, Mr. Sha Pau, Eric and Mr. Ho Kwan Tat.