# 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 2010

The board of directors (the "Board" or the "Directors") of Midland IC&I Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010 together with the comparative figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2010*

| | *Note* | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|---|
| Revenues | *3(a)* | **534,650** | 382,322 |
| Other income | *4* | **4,375** | 3,081 |
| Staff costs | | **(282,314)** | (193,911) |
| Rebate incentives | | **(47,656)** | (42,134) |
| Advertising and promotion expenses | | **(9,698)** | (7,843) |
| Operating lease charges in respect of office and shop premises | | **(11,262)** | (12,462) |
| Impairment of receivables | | **(12,356)** | (6,797) |
| Depreciation | | **(2,241)** | (2,077) |
| Other operating costs | | **(29,599)** | (26,577) |
| Operating profit | *5* | **143,899** | 93,602 |
| Finance income | *6* | **623** | 265 |
| Finance costs | *6* | **(952)** | (1,242) |
| Profit before taxation | | **143,570** | 92,625 |
| Taxation | *7* | **(23,135)** | (15,590) |
| Profit for the year | | **120,435** | 77,035 |
| Other comprehensive income | | | |
| Currency translation differences | | **(47)** | 16 |
| Total comprehensive income for the year | | **120,388** | 77,051 |

* *For identification purposes only*

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| Profit attributable to: | | | |
| Equity holders | | **120,435** | 77,035 |
| Non-controlling interests | | **–** | – |
| | | **120,435** | 77,035 |
| Total comprehensive income attributable to: | | | |
| Equity holders | | **120,388** | 77,051 |
| Non-controlling interests | | **–** | – |
| | | **120,388** | 77,051 |
| | | ***HK cent*** | *HK cent* |
| Earnings per share | *8* | | |
| Basic | | **0.883** | 0.568 |
| Diluted | | **0.883** | 0.568 |

## CONSOLIDATED BALANCE SHEET
*As at 31 December 2010*

| | Note | As at 31 December 2010 HK$'000 | As at 31 December 2009 HK$'000 (restated) | As at 1 January 2009 HK$'000 (restated) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | **4,721** | 4,675 | 3,244 |
| Investment property | | **35,100** | 31,100 | – |
| Deferred taxation assets | | **3,102** | 2,667 | 1,643 |
| | | **42,923** | 38,442 | 4,887 |
| **Current assets** | | | | |
| Trade and other receivables | *10* | **205,888** | 138,345 | 52,487 |
| Financial assets at fair value through profit or loss | | **163** | 174 | 110 |
| Tax recoverable | | **–** | – | 7,280 |
| Cash and bank balances | | **316,002** | 230,478 | 180,374 |
| | | **522,053** | 368,997 | 240,251 |
| **Total assets** | | **564,976** | 407,439 | 245,138 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity holders** | | | | |
| Share capital | | **83,000** | 83,000 | 83,000 |
| Share premium | | **85,816** | 85,816 | 85,816 |
| Reserves | | **204,051** | 83,663 | 6,612 |
| | | **372,867** | 252,479 | 175,428 |
| **Non-controlling interests** | | **–** | – | – |
| **Total equity** | | **372,867** | 252,479 | 175,428 |
| **Non-current liabilities** | | | | |
| Bank loan | | **–** | – | – |
| Convertible notes | | **7,631** | 12,316 | 16,705 |
| Deferred taxation liabilities | | **1,339** | 531 | 1 |
| | | **8,970** | 12,847 | 16,706 |
| **Current liabilities** | | | | |
| Bank loan | | **12,663** | 13,513 | – |
| Trade and other payables | *11* | **164,499** | 118,319 | 52,661 |
| Taxation payable | | **5,977** | 10,281 | 343 |
| | | **183,139** | 142,113 | 53,004 |
| **Total liabilities** | | **192,109** | 154,960 | 69,710 |
| **Total equity and liabilities** | | **564,976** | 407,439 | 245,138 |
| **Net current assets** | | **338,914** | 226,884 | 187,247 |
| **Total assets less current liabilities** | | **381,837** | 265,326 | 192,134 |

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2010*

### 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, One Grand Tower, 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 2010**

| | |
|---|---|
| HKAS 1 Amendment | Presentation of Financial Statements |
| HKAS 17 Amendment | Lease |
| HKAS 18 Amendment | Revenue |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 38 Amendment | Intangible Assets |
| HKAS 39 Amendment | Financial Instruments: Recognition and Measurement |
| HKFRS 2 Amendment | Share-based Payment |
| HKFRS 3 (Revised) | Business Combinations |
| HKFRS 8 Amendment | Operating Segments |
| HK – Int 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains Repayment on a Demand Clause |

The adoption of the above new or revised standards and amendments did not have significant effect on the financial information or result in any significant changes in the Group's significant accounting policies except as described below:

(i) HKFRS 3 (Revised) "Business Combinations". The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date when control is obtained, recognising a gain/loss in the statement of comprehensive income. All acquisition-related costs should be expensed. The adoption of this revised standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.

(ii) HKAS 27 (Revised) "Consolidated and Separate Financial Statements". The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control ("economic entity model"). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the statement of comprehensive income. The adoption of this amendment to standard did not have significant effect on financial information except for changes in the Group's accounting policies as stated above.

(iii) HKAS 17 Amendment, "Leases". It deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land", and amortised over the lease term. HKAS 17 Amendment has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The accounting for land interest classified as finance lease is as below:

(a) If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the time of land interest available for its intended use over the shorter of the useful live of the asset and the lease term; and

(b) If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property.

The effect of the adoption of this amendment is as below:

| | **As at 31 December 2010** | As at 31 December 2009 | As at 1 January 2009 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Decrease in leasehold land and land use rights | **(69)** | (71) | – |
| Increase in property, plant and equipment | **69** | 71 | – |

(iv) On 29 November 2010, the HKICPA issued HK Interpretation 5 – Presentation of Financial statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause. This interpretation states that liability, which may be callable by the lender at any time without cause (an overriding right of demand), must be classified as a current liability in accordance with HKAS 1. In prior years, the Group classified the borrowings based on the maturity of the borrowings. The effective of the interpretation has resulted in a change in the accounting policy relating to the classification of borrowings as current liabilities and non-current liabilities and as a result the Group has reclassified certain borrowings from non-current liabilities to current liabilities.

The effect of the adoption of this amendment is as below:

| | **As at 31 December 2010** *HK$'000* | As at 31 December 2009 *HK$'000* | As at 1 January 2009 *HK$'000* |
|---|---|---|---|
| Decrease in bank loans | | | |
| – Non-current liabilities | **(11,810)** | (12,654) | – |
| Increase in bank loans | | | |
| – Current liabilities | **11,810** | 12,654 | – |

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

The HKICPA has issued a number of new and revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1 January 2010. The Group has not early adopted these new and revised standards, interpretations and amendments to standards.

## 3 REVENUES AND SEGMENT INFORMATION

**(a) Revenues**

| | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|
| Turnover | | |
| Agency fee | **506,600** | 360,513 |
| Internet education and related services | **26,682** | 20,963 |
| | **533,282** | 381,476 |
| Other revenue | | |
| Rental income from a fellow subsidiary | **1,368** | 846 |
| Total revenues | **534,650** | 382,322 |

**(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 mainly includes the provision of internet education and related services.

The Group has changed the internal reporting structure of corporate function effective for the year ended 31 December 2010. Accordingly, the comparative segment information has been restated to reflect the current reporting structure.

| | Year ended 31 December 2010 | | | | |
|---|---|---|---|---|---|
| | **Property agency** | | | | |
| | **Commercial** | **Industrial** | **Shop** | **Others** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Total revenues | **228,677** | **83,382** | **217,619** | **26,792** | **556,470** |
| Inter–segment revenues | **(11,127)** | **(4,669)** | **(7,282)** | **(110)** | **(23,188)** |
| Revenues from external customers | **217,550** | **78,713** | **210,337** | **26,682** | **533,282** |
| Segment results | **69,860** | **23,712** | **63,167** | **150** | **156,889** |
| Depreciation | **663** | **439** | **228** | **260** | **1,590** |
| Impairment of receivables | **3,572** | **1,326** | **7,361** | **97** | **12,356** |
| Additions to non-current assets | **1,238** | **620** | **122** | **285** | **2,265** |

| | Year ended 31 December 2009 | | | | |
|---|---|---|---|---|---|
| | Property agency | | | | |
| | Commercial | Industrial | Shop | Others | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Total revenues | 162,942 | 60,516 | 146,305 | 21,054 | 390,817 |
| Inter–segment revenues | (2,514) | (2,389) | (4,347) | (91) | (9,341) |
| Revenues from external customers | 160,428 | 58,127 | 141,958 | 20,963 | 381,476 |
| Segment results | 54,639 | 18,857 | 36,161 | (1,056) | 108,601 |
| Depreciation | 485 | 656 | 443 | 181 | 1,765 |
| Impairment of receivables | 931 | 1,008 | 4,858 | – | 6,797 |
| Additions to non-current assets | 147 | 554 | 54 | 958 | 1,713 |

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 income statement.

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenues from external customers for reportable segments | **533,282** | 381,476 |
| Rental income from a fellow subsidiary | **1,368** | 846 |
| Total revenues per consolidated statement of comprehensive income | **534,650** | 382,322 |

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 gains on investment property occupied by group companies, finance income, finance costs and taxation are not included in the segments results.

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Segment results for reportable segments | **156,889** | 108,601 |
| Corporate expenses | **(16,990)** | (17,565) |
| Fair value gains on investment property | **4,000** | 2,566 |
| Finance income | **623** | 265 |
| Finance costs | **(952)** | (1,242) |
| Profit before taxation | **143,570** | 92,625 |

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. These are part of the reconciliation to total balance sheet assets and liabilities.

**As at 31 December 2010**

| | **Property agency** | | | | |
|---|---|---|---|---|---|
| | **Commercial** | **Industrial** | **Shop** | **Others** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Segment assets | **101,859** | **77,483** | **80,874** | **15,553** | **275,769** |
| Segment liabilities | **67,917** | **21,494** | **55,921** | **5,306** | **150,638** |

As at 31 December 2009

| | Property agency | | | | |
|---|---|---|---|---|---|
| | Commercial | Industrial | Shop | Others | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | 72,739 | 56,608 | 53,194 | 14,138 | 196,679 |
| Segment liabilities | 48,999 | 16,133 | 37,218 | 4,134 | 106,484 |

Reportable segment assets are reconciled to total assets as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Segment assets | **275,769** | 196,679 |
| Corporate assets | **285,942** | 207,919 |
| Deferred taxation assets | **3,102** | 2,667 |
| Financial assets at fair value through profit or loss | **163** | 174 |
| Total assets per consolidated balance sheet | **564,976** | 407,439 |

Reportable segment liabilities are reconciled to total liabilities as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Segment liabilities | **150,638** | 106,484 |
| Corporate liabilities | **40,132** | 47,945 |
| Deferred taxation liabilities | **1,339** | 531 |
| Total liabilities per consolidated balance sheet | **192,109** | 154,960 |

## 4 OTHER INCOME

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fair value gains on investment property | **4,000** | 2,566 |
| Unrealised gains on financial assets at fair value through profit or loss | **–** | 64 |
| Sundries | **375** | 451 |
| | **4,375** | 3,081 |

## 5 OPERATING PROFIT

Operating profit is arrived at after charging:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net realised and unrealised loss on financial assets at fair value through profit or loss | **15** | – |

## 6 FINANCE INCOME AND COSTS

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Finance income | | |
| Bank interest income | **623** | 265 |
| Finance costs | | |
| Finance cost of convertible notes | **(715)** | (1,012) |
| Interest on bank loans | **(237)** | (230) |
| | **(952)** | (1,242) |
| Finance costs, net | **(329)** | (977) |

## 7 TAXATION

| | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|
| Current | | |
| Hong Kong profits tax | **22,762** | 16,084 |
| Deferred | **373** | (494) |
| | **23,135** | 15,590 |

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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:

| | **2010** *HK$'000* | 2009 *HK$'000* |
|---|---|---|
| Profit attributable to equity holders | **120,435** | 77,035 |
| Effect on interest expense on convertible notes, net of tax | **596** | 845 |
| Profit for calculation of basic and diluted earnings per share | **121,031** | 77,880 |
| 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) | **–** | – |
| Number of shares for calculation of diluted earnings per share (thousands) | **13,700,000** | 13,700,000 |
| Basic earnings per share (HK cent) | **0.883** | 0.568 |
| Diluted earnings per share (HK cent) | **0.883** | 0.568 |

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.

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 is 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 2009 did not assume the exercise of share options outstanding during the year since the exercise of share options would have an anti-dilutive effect. For the year ended 31 December 2010, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

## 9 DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2010 (2009: Nil).

## 10 TRADE AND OTHER RECEIVABLES

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Not yet due | **184,953** | 118,388 |
| Less than 30 days | **5,090** | 6,181 |
| 31 to 60 days | **3,318** | 3,101 |
| 61 to 90 days | **2,127** | 1,832 |
| Over 90 days | **4,003** | 1,700 |
| | **199,491** | 131,202 |

## 11 TRADE AND OTHER PAYABLES

The trade payables and commissions payable include principally the commissions payable to property consultants and cooperative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK$19,587,000 (2009: HK$19,818,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

## REVIEW

I am pleased to announce that the Group logged impressive results for the year ended 31 December 2010. Revenue rose 40% to HK$534.7 million, while earnings jumped 56% to HK$120.4 million, attaining the highest level since the Group was listed. During the reporting year, the Group's operating profit margin also increased noticeably from 24.5% to 26.9%. The Group was able to record good results two years in a row. I attribute that to the single-minded devotion of management and staff, whose professionalism won over client support.

The non-residential property sector has been climbing out of the trough of 2008, although initially, rebound in the sector was not as pronounced as in the residential property sector. Using the unique vantage point of a strong parent for support, the Group strengthened inter-company ties in 2009 to broaden its client base. This helped enhance our competitiveness in 2009 and bolstered our fundamentals for more aggressive expansion last year. This is also why we were able to do well in the reporting year.

The non-residential property sector was robust in 2010. According to the Land Registry, the non-residential property transaction value, which largely reflected buying and selling of industrial and commercial premises, increased 43% from 2009 to HK$128.8 billion last year. This was the highest level recorded since 1997. More than that, for the first time in three years, the sector was active across the board with industrial properties, office premises and retail space all logging more transactions.

Several positive factors moved the sector last year, foremost of which was the macro economic recovery. Locally, a falling unemployment rate and improvement in income helped stimulate spending. An 18% year-on-increase in retail sales had a positive direct impact on retail premises, boosting buy-sell transactions. Hong Kong also saw more economic activities as the business environment improved. In terms of capital raising, for instance, Hong Kong topped markets the world over with initial public offerings garnering about HK$445 billion on the stock exchange. A robust financial sector, in turn, created more demand for office space. Last year, more overseas and mainland Chinese companies set up regional headquarters or representative offices in Hong Kong. Rising demand, coupled with chronic shortage of supply, especially in the core business districts, had the effect of raising the prices of office premises and stimulating transactions.

The industrial property segment also performed well. The Government policy of revitalising old industrial estates has stirred investor interest in such premises. The low interest rate environment made investing in the segment even more attractive. One should note also that unlike the residential sector, the non-residential sector has not been the subject of cooling measures. The only negative factor seems to have been banks' policy of lowering their lending ratio to 50% of the appraised value of non-residential properties.

Thanks to management's efforts in raising operating efficiency, our profit margin for the year rose. While having increased revenue was one part of the formula, controlling costs was the other. Through re-organising our branch network, we were able to reduce rental expenditure in the face of rising overhead. The year before, the Group had started the process of recruiting talents to raise the standards of front-line staff. While this certainly increased our payroll, we are pleased to observe noticeable intangible results of investing in human resources.

The Group performed especially well in large-scale property transactions last year. We brokered 39% more those transactions valued at over HK$100 million, including a commercial building on Jervois Street, Sheung Wan, for HK$650 million, and another composite building at 14–16 Hankow Road, Tsimshatsui, for HK$1.38 billion. The two transactions were a good example of how collaboration with the parent company paid off.

Despite intensifying competition, the Group was able to outperform the industry. I attribute this to the unwavering dedication of our management and front-line professional staff and am grateful for their support.

**OUTLOOK**

We take a guardedly optimistic view of the prospect of the sector. Although more and more positive developments are taking place in the market, a number of uncertainties remain. Hence management will continue to establish beachheads in the market aggressively while keeping a watchful eye on changing operating conditions. The idea is to apply as much flexibility as possible to reinforce our leading position.

**Solid Fundamentals**

The continual economical recovery in Hong Kong and the strong economic expansion on the mainland will be the main drivers for the industrial and commercial property sector in the coming year. Simply judging from the spending spree of mainland visitors over the past Lunar New Year, one can predict with some certainty that Hong Kong will remain a shopping hot spot for our northern neighbors. A tally by the Hong Kong Tourism Board indicated a 15.7% year-on-year increase in mainland visitors during the holidays. Moreover, local economical growth has been considerable, with gross domestic product (GDP) gaining 6.8% in the third quarter, after advancing 7.2% quarter on quarter in the first half. Adjusted for seasonal factors, GDP growth in the third quarter compared to the second quarter actually recorded 0.7%, expanding for the sixth consecutive quarter.

The outlook for Hong Kong businesses remains bright as long as Hong Kong can rely on the mainland for support. We expect many businesses will increase headcounts to meet rising demand. Meanwhile, a number of major enterprises have announced the scale of their pay rises and related plans. Thus the average Hong Konger may see a noticeable rise in annualised income. With locals also spending more, we look forward to a positive impact on the retail property segment.

As the economy picks up, more businesses will be looking for more space to expand, thus raising demand for such premises. In addition, the longstanding tight supply situation in the segment will continue to put a rosy tint on the segment. The Group welcomes the Government's plan in the latest Budget to add supply of office premises via various channels. We believe that such a move will reinforce Hong Kong's status as an international financial center. The influx of overseas and mainland Chinese companies to Hong Kong is a growing trend. Along with the mainland's policy of getting Chinese enterprises to "reach out" overseas and to raise capital in Hong Kong, the local office property segment is likely to get fresh momentum. Meanwhile, overseas businesses will continue to use this city as base for their penetration of the China market, thus further bolstering demand for office space.

Aside from economic factors, Government policy – or rather, the lack of it – also supports a bright outlook for the sector. Government intervention in the form of administrative measures has been slight in the non-residential property sector, compared to the residential property sector. In its attempt to stabilise surging home prices last November, the Government introduced a special stamp duty for short-term sale of residential properties. Surely, some measures, such as the tightening of mortgage lending, do have an impact, but the risk exposure on the commercial and industrial sector is relatively limited. If low interest rates prevail, we expect to see the commercial and industrial sector being hotly pursued by investors.

**Stay flexible Be cautiously optimistic**

On the other hand, uncertainties prevail in global markets. Many factors will affect Hong Kong's economic development and the property market in general. In 2011, these factors include the pace of recovery in the United States, the inflationary trend worldwide, the amount and frequency of interest rate increase on the mainland, the US interest rate trend. In the face of such uncertainties, management will continue to adopt a prudent approach and keep plans fluid and flexible when expanding. Even if market conditions take a bad turn, we shall then be able to respond promptly and appropriately.

Riding on last year's momentum, we shall continue to expand our workforce in 2011. In the reporting year, we already increased our workforce, mostly front-line workers, by 8.5%. We believe, indeed, that our solid performance for the year stemmed partly from the fact that we were able to "jump the cue" on the industry by recruiting talents ahead of our competitors. In addition, the set of policies and procedures introduced earlier to raise professionalism among staff also began to pay off. The surveying and valuation department we established some years ago, for one, did much to bolster our professional infrastructure, making us more competitive in handling large-scale transactions. Our valuation professionals will be kept busy this year, as we expect the large-scale segment to stay active. Our professional image established over the years also will give us a leg up in the competition to recruit new blood. We certainly will continue to ride on our parent's extensive branch network in the residential property market to grow our clientele. To prospective recruits, that is also a clear advantage.

In the coming year, we shall invest more in human resources for the long term. Besides offering staff a wide range of training, courses and seminars, we shall launch the "Management Associates Program" to recruit top university graduates as management trainees, sending them to different departments for practicum exposure to learn the ropes of business in a real operational environment.

To reinforce our leading position in the sector, we launched last year a series of communication services, including the iPhone and Android platforms, to pass on to clients timely market information. This year, we shall further explore opportunities in new media to enhance our mobile communication to meet market demand and to sharpen our competitive edge.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity, financial resources and funding

As at 31 December 2010, the Group had net current assets of HK$338,914,000 including bank balances and cash of HK$316,002,000, whilst bank loan amounted to HK$12,663,000. The bank loan was granted to the Group on a floating rate basis. The Group's bank loan was secured by the property held by the Group of HK$35,470,000 and with maturity profile set out as follows:

| **Repayable** | **2010** |
|---|---|
| | *HK$'000* |
| Within 1 year | **853** |
| After 1 year but within 2 years | **870** |
| After 2 years but within 5 years | **2,716** |
| Over 5 years | **8,224** |
| | **12,663** |

*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.

The Group had unutilised banking facilities amounting to HK$35,500,000 from various banks.

As at 31 December 2010, the gearing ratio, which represents the percentage of borrowings and liability portion of convertible notes over total equity of the Group was 5.4%. 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 2.9.

The Directors believe that the existing financial resources of the Group are sufficient to fulfill its commitments, current working capital requirements and further development.

**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.

**Contingent liabilities**

As at 31 December 2010, the Company executed corporate guarantees amounting to HK$49,780,000 as the securities for general banking facilities and bank loans extended to wholly-owned subsidiaries. As at 31 December 2010, the bank loan drawn by one of its subsidiaries was HK$14,280,000.

**Employee information**

As at 31 December 2010, the Group employed 512 full-time employees.

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 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 2010.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the requirements of all the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2010.

## 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.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2010.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2010.

## REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2010. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 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 Engagement issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## PUBLICATION OF ANNUAL RESULTS AND 2010 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandici.com.hk). The 2010 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

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, Pierre**
*Executive Director and Chief Executive Officer*

Hong Kong, 16 March 2011

*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, Pierre; one non-executive Director, namely Mr. Tsang Link Carl, Brian; and three are independent non-executive Directors, namely Mr. Ying Wing Cheung, William, Mr. Sha Pau, Eric and Mr. Ho Kwan Tat, Ted.*