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## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Board”) of Midland IC&I Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020 together with the comparative figures as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenues	3(a)	342,677	442,126
Other income/(loss), net	4	1,183	(17,764)
Staff costs		(194,298)	(228,972)
Rebate incentives		(62,124)	(99,093)
Advertising and promotion expenses		(7,961)	(10,976)
Amortisation of right-of-use assets (lease)		(31,317)	(34,737)
Depreciation of property and equipment		(2,613)	(3,274)
Net impairment losses on financial assets		(14,774)	(28,775)
Other operating costs	5	(34,399)	(35,801)
Operating loss		(3,626)	(17,266)
Finance income	6	6,049	10,227
Interest on bank loans	6	(3,168)	(4,328)
Interest on convertible note	6	(8,041)	(7,713)
Interest on lease liabilities	6	(763)	(1,364)
Loss before taxation		(9,549)	(20,444)
Taxation	7	1,518	843
Loss and total comprehensive loss for the year		<b>(8,031)</b>	<b>(19,601)</b>

\*For identification purpose only

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)**  
**For the year ended 31 December 2020**

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Loss and total comprehensive loss attributable to:			
Equity holders		<b>(7,275)</b>	(19,504)
Non-controlling interests		<b>(756)</b>	(97)
		<b><u>(8,031)</u></b>	<u>(19,601)</u>
Loss per share	9	<b>HK cents</b>	HK cents
Basic		<b>(0.403)</b>	(1.080)
Diluted		<b>(0.403)</b>	(1.080)

**CONSOLIDATED BALANCE SHEET**  
*As at 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		2,570	4,303
Right-of-use assets		20,168	31,462
Investment properties	10	813,600	838,700
Other financial assets at amortised cost		27,796	22,993
Deferred tax assets		10,755	6,273
		<u>874,889</u>	<u>903,731</u>
		-----	-----
<b>Current assets</b>			
Trade and other receivables	11	116,617	107,422
Loan receivables	12	114,340	49,010
Other financial assets at amortised cost		17,235	1,599
Tax recoverable		6,386	5,336
Cash and cash equivalents		478,319	543,759
		<u>732,897</u>	<u>707,126</u>
		-----	-----
<b>Total assets</b>		<u><u>1,607,786</u></u>	<u><u>1,610,857</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves		155,458	162,733
		<u>1,081,072</u>	<u>1,088,347</u>
<b>Non-controlling interests</b>		<u>6,908</u>	<u>7,664</u>
		-----	-----
<b>Total equity</b>		<u><u>1,087,980</u></u>	<u><u>1,096,011</u></u>
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**CONSOLIDATED BALANCE SHEET (Continued)**  
*As at 31 December 2020*

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		4,531	2,874
Lease liabilities		4,456	10,105
Bank loan	13	131,000	131,000
Convertible note	14	-	189,357
		<u>139,987</u>	<u>333,336</u>
		-----	-----
<b>Current liabilities</b>			
Trade and other payables	15	155,512	143,358
Amounts due to non-controlling interests	16	420	-
Lease liabilities		18,236	26,560
Bank loan	13	3,332	4,354
Tax payable		3,631	7,238
Convertible note	14	198,688	-
		<u>379,819</u>	<u>181,510</u>
		-----	-----
<b>Total liabilities</b>		<u>519,806</u>	<u>514,846</u>
		-----	-----
<b>Total equity and liabilities</b>		<u>1,607,786</u>	<u>1,610,857</u>
		=====	=====

## NOTES TO THE CONSOLIDATED 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 head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

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

This audited consolidated annual results has been approved by the Board on 29 March 2021.

### 2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and liability component of convertible note which are carried at fair values.

#### (a) New standards, interpretation and amendments effective in 2020

The adoption of the new or revised standards, interpretations and amendments does not have a material impact on the Group’s results of operations or financial position.

#### (b) New standards, interpretation and amendments which are not yet effective

The Group has not early applied the new or revised standards and interpretations that have been issued but not yet effective. The adoption of these new or revised standards and interpretations is not expected to have a material impact on the Group’s results of operation or financial position.

### 3 Revenues and segment information

#### (a) Revenues

	2020 HK\$’000	2019 HK\$’000
<b>Revenues from contracts with customers within the scope of HKFRS 15</b>		
Agency fee	318,058	416,255
	-----	-----
<b>Revenues from other sources</b>		
Rental income	17,156	22,071
Interest income from credit business	5,784	3,084
Interest income from securities investment	1,679	716
	-----	-----
	<b>24,619</b>	<b>25,871</b>
	-----	-----
Total revenues	<b>342,677</b>	<b>442,126</b>
	=====	=====

### 3 Revenues and segment information (Continued)

#### (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 reports in order to assess performance and allocate resources. The Executive Directors determine the operating segments based on these reports.

The Executive Directors assess the performance based on the nature of the Group’s businesses principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, properties investment, credit business and securities investment.

	Year ended 31 December 2020						Total HK\$'000
	Property agency			Properties investment HK\$'000	Credit business HK\$'000	Securities investment HK\$'000	
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000				
Segment revenues	126,366	74,907	130,570	17,156	5,784	1,679	356,462
Inter-segment revenues	(5,392)	(4,060)	(4,333)	-	-	-	(13,785)
<b>Revenues from external customers</b>	<b>120,974</b>	<b>70,847</b>	<b>126,237</b>	<b>17,156</b>	<b>5,784</b>	<b>1,679</b>	<b>342,677</b>
<b>Timing of revenue recognition</b>							
- At a point in time	120,974	70,847	126,237	-	-	-	318,058
Rental income	-	-	-	17,156	-	-	17,156
Interest income	-	-	-	-	5,784	1,679	7,463
	<b>120,974</b>	<b>70,847</b>	<b>126,237</b>	<b>17,156</b>	<b>5,784</b>	<b>1,679</b>	<b>342,677</b>
<b>Segment results</b>	<b>(4,026)</b>	<b>8,172</b>	<b>5,410</b>	<b>(14,696)</b>	<b>2,289</b>	<b>1,564</b>	<b>(1,287)</b>
Fair value loss on investment properties	-	-	-	(25,100)	-	-	(25,100)
Amortisation of right-of- use assets (lease)	(13,623)	(6,734)	(10,960)	-	-	-	(31,317)
Depreciation of property and equipment	(106)	(295)	(1,813)	(60)	(1)	-	(2,275)
Net impairment losses on financial assets	(1,801)	(895)	(12,078)	-	-	-	(14,774)
Additions to non-current assets	14	507	66	30	1	-	618

For the purpose of segmental information analysis, expenditures incurred for leases are not regarded as capital expenditures.

### 3 Revenues and segment information (Continued)

#### (b) Segment information (Continued)

	Year ended 31 December 2019						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	201,034	92,168	138,354	22,071	3,084	716	457,427
Inter-segment revenues	(3,626)	(5,583)	(6,092)	-	-	-	(15,301)
Revenues from external customers	197,408	86,585	132,262	22,071	3,084	716	442,126
Timing of revenue recognition							
- At a point in time	197,408	86,585	132,262	-	-	-	416,255
Rental income	-	-	-	22,071	-	-	22,071
Interest income	-	-	-	-	3,084	716	3,800
	197,408	86,585	132,262	22,071	3,084	716	442,126
Segment results	7,874	11,942	(8,293)	(3,151)	2,612	716	11,700
Fair value loss on investment properties	-	-	-	(16,600)	-	-	(16,600)
Amortisation of right-of-use assets (lease)	(14,891)	(7,220)	(12,626)	-	-	-	(34,737)
Depreciation of property and equipment	(148)	(491)	(2,484)	(46)	(1)	-	(3,170)
Net impairment losses on financial assets	(16,246)	(890)	(11,639)	-	-	-	(28,775)
Additions to non-current assets	63	162	766	150	17	-	1,158

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Fair value loss on convertible note, government subsidy, corporate expenses, finance income, interest on bank loans, interest on convertible note and taxation are not included in the segment 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. The revenue from external customers is the same as the total revenue per consolidated statement of comprehensive income.

### 3 Revenues and segment information (Continued)

#### (b) Segment information (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Segment results for reportable segments	(1,287)	11,700
Fair value loss on convertible note	(1,290)	(1,233)
Government subsidy	27,515	-
Corporate expenses	(29,327)	(29,097)
Finance income	6,049	10,227
Interest on bank loans	(3,168)	(4,328)
Interest on convertible note	(8,041)	(7,713)
Loss before taxation per consolidated statement of comprehensive income	<u>(9,549)</u>	<u>(20,444)</u>

Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reportable segment:

As at 31 December 2020							
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	56,748	29,499	44,139	817,100	121,654	45,326	1,114,466
Segment liabilities	70,053	36,527	39,300	18,223	1,362	174	165,639

  

As at 31 December 2019 (Restated)							
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	62,619	28,364	49,887	840,821	49,169	24,592	1,055,452
Segment liabilities	71,238	40,144	42,653	20,896	321	-	175,252

With the continuous development and business diversification of the Group, certain liabilities, which were considered as segment liabilities, have been reallocated to corporate liabilities for management's assessment in current year. Accordingly, the comparative figures have been restated to conform with the presentation in the current year.



### 3 Revenues and segment information (Continued)

#### (b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Segment assets	<b>1,114,466</b>	1,055,452
Corporate assets	<b>482,565</b>	549,132
Deferred tax assets	<b>10,755</b>	6,273
	<hr/>	<hr/>
Total assets per consolidated balance sheet	<b>1,607,786</b>	1,610,857
	<hr/> <hr/>	<hr/> <hr/>

Reportable segment liabilities are reconciled to total liabilities as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000 (restated)
Segment liabilities	<b>165,639</b>	175,252
Corporate liabilities	<b>349,636</b>	336,720
Deferred tax liabilities	<b>4,531</b>	2,874
	<hr/>	<hr/>
Total liabilities per consolidated balance sheet	<b>519,806</b>	514,846
	<hr/> <hr/>	<hr/> <hr/>

#### 4 Other income/(loss), net

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Fair value loss on investment properties (note 10)	<b>(25,100)</b>	(16,600)
Fair value loss on convertible note (note 14)	<b>(1,290)</b>	(1,233)
Government subsidy	<b>27,515</b>	-
Others	<b>58</b>	69
	<hr/>	<hr/>
	<b>1,183</b>	(17,764)
	<hr/> <hr/>	<hr/> <hr/>

Subsidy received under the Employment Support Scheme of HK\$27,515,000 (2019: nil) is included in the government subsidy. There are no unfulfilled conditions or other contingencies attaching to these grants.

## 5 Other operating costs

	2020 HK\$'000	2019 HK\$'000
Office and branch operating expenses (remark)	12,322	12,947
Government rent and rates, building management fee (leased properties and investment properties)	6,269	7,370
Legal and professional fee	5,613	3,310
Insurance expenses	3,823	2,212
Bank charges	538	1,058
Auditor's remuneration		
- audit services	1,257	1,257
- interim results review	343	343
Others	4,234	7,304
	<u>34,399</u>	<u>35,801</u>

For the year ended 31 December 2020, direct operating expenses arising from investment properties that generated rental income were HK\$3,537,000 (2019: HK\$3,843,000), in which HK\$1,068,000 (2019: HK\$1,521,000) were included in other operating costs.

Remark: Office and branch operating expenses including utilities expenses, communication expenses, printing and stationary, transportation, and repair and maintenance.

## 6 Finance income and costs

	2020 HK\$'000	2019 HK\$'000
Finance income		
Bank interest income	6,049	10,227
	-----	-----
Finance costs		
Interest on bank loans	(3,168)	(4,328)
Interest on convertible note (note 14)	(8,041)	(7,713)
Interest on lease liabilities	(763)	(1,364)
	<u>(11,972)</u>	<u>(13,405)</u>
	-----	-----
Finance costs, net	<u>(5,923)</u>	<u>(3,178)</u>

## 7 Taxation

	2020 HK\$'000	2019 HK\$'000
Current		
Hong Kong profits tax	1,307	1,622
Under provision in prior year	-	33
Deferred tax	(2,825)	(2,498)
	<u>(1,518)</u>	<u>(843)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year.

## 8 Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: nil).

## 9 Loss per share

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

	2020 HK\$'000	2019 HK\$'000
Loss attributable to equity holders	<u>(7,275)</u>	<u>(19,504)</u>
Weighted average number of shares for calculation of basic and diluted earnings per share (thousands)	<u>1,805,283</u>	<u>1,805,283</u>
Basic loss per share (HK cents)	<u>(0.403)</u>	<u>(1.080)</u>
Diluted loss per share (HK cents)	<u>(0.403)</u>	<u>(1.080)</u>

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

In calculating the diluted loss per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options and the convertible note. The convertible note is assumed to have been converted into ordinary shares and the result is adjusted to eliminate the related expenses.

## 9 Loss per share (Continued)

For the year ended 31 December 2020, no adjustment has been made to the loss attributable to equity holders and the weighted average number of shares as the exercise of convertible note would have an anti-dilutive effect.

For the year ended 31 December 2019, no adjustment has been made to the loss attributable to equity holders since the exercise of the convertible note would have an anti-dilutive effect and the weighted average number of shares has not been adjusted as the exercise of the Company's share options and the convertible note would have an anti-dilutive effect.

## 10 Investment properties

	2020 HK\$'000	2019 HK\$'000
Opening net book amount	838,700	855,300
Change in fair value recognised in the consolidated statement of comprehensive income (note 4)	(25,100)	(16,600)
Closing net book amount	<u>813,600</u>	<u>838,700</u>

Investment properties of HK\$279,900,000 (2019: HK\$288,100,000) are pledged as security for the Group's bank loans (note 13).

## 11 Trade and other receivables

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 the completion of or pursuant to the terms and conditions of the relevant agreements. The aging analysis of the trade receivables is as follows:

	2020 HK\$'000	2019 HK\$'000
Current (not yet due)	76,670	72,064
Less than 30 days past due	10,182	9,962
31 to 60 days past due	2,601	1,765
61 to 90 days past due	762	1,994
More than 90 days past due	643	1,461
	<u>90,858</u>	<u>87,246</u>

## 12 Loan receivables

A maturity profile of the loan receivables as at the end of the reporting periods, based on the maturity date and net of provision, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	<u>114,340</u>	<u>49,010</u>

### 13 Bank loans

The Group's bank loans are repayable as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Secured bank loan with repayment on demand clause		
- repayable within 1 year	<b>1,312</b>	1,016
- repayable after 1 year but within 2 years	<b>1,075</b>	1,312
- repayable after 2 years but within 5 years	<b>945</b>	2,026
	<u><b>3,332</b></u>	<u>4,354</u>
Secured bank loan		
- repayable after 2 years but within 5 years	<b>131,000</b>	-
- repayable over 5 years	<b>-</b>	131,000
	<u><b>134,332</b></u>	<u>135,354</u>

The bank loan with outstanding balance of HK\$3,332,000 (2019: HK\$4,354,000) contains a repayment on demand clause and is classified as current liabilities. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Group's bank loans are denominated in Hong Kong dollars.

The bank loans are secured by investment properties of HK\$279,900,000 (2019: HK\$288,100,000) held by the Group (note 10) and corporate guarantee given by the Company.

The Group has the following undrawn borrowing facilities:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Floating rates		
Expiring within one year	<b>65,000</b>	15,000
	<u><b>65,000</b></u>	<u>15,000</u>

## 14 Convertible note

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due on 22 March 2021 (the “Maturity Date”) to Mr. WONG Kin Yip, Freddie, who is the director of the Company and the father of Ms. WONG Ching Yi, Angela, a director of the Company, in the aggregate principal amount of HK\$200 million as part of the consideration for the acquisition of a subsidiary. The holder of the convertible note shall have the right to convert on or before the Maturity Date the whole or any part of the principal amount of the convertible note into fully paid ordinary shares of the Company with a par value of HK\$0.10 (after the effect of share consolidation) each at an initial conversion price of HK\$0.46 (after the effect of share consolidation) per ordinary share of the Company. Unless previously converted, purchased or cancelled, this note will be redeemed at their principal amount on the Maturity Date.

The convertible note contains two components, equity and liability components. Management adopted binomial model to determine the fair value of the convertible note as a whole on the date of issuance. The management had used the discounted cash flow method to determine the fair value of the liability component at the reporting date.

The movement of the liability component of convertible note recognised in the consolidated balance sheet is set out below:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
At the beginning of the year	<b>189,357</b>	180,411
Interest expenses (note 6)	<b>8,041</b>	7,713
Fair value loss (note 4)	<b>1,290</b>	1,233
	<hr/>	<hr/>
At the end of the year	<b>198,688</b>	189,357
	<hr/> <hr/>	<hr/> <hr/>

The Company has fully redeemed the convertible notes at their principal amount of HK\$200 million on the Maturity Date.

## 15 Trade and other payables

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$23,739,000 (2019: HK\$21,817,000) in respect of which the corresponding agency fees have been received and are due for payment within 30 days after year end, and all the remaining commissions and rebate payables are not yet due.

## 16 Amounts due to non-controlling interests

The amounts are unsecured, interest free and repayable on demand.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group announces that for the year ended 31 December 2020, the Group recorded a loss for the year of HK\$8,031,000 (2019: HK\$19,601,000). Loss attributable to equity holders amounted to HK\$7,275,000 (2019: HK\$19,504,000).

2020 was a tough year for Hong Kong and the other parts of the world. The COVID-19 pandemic dealt a heavy blow to the global economy. Clouded by numerous uncertainties and by the China-US trade conflicts, the market sentiment was severely hit. The stringent measures imposed by the Hong Kong Government to contain the pandemic also had a knock-down effect on the transactions of the non-residential properties in Hong Kong. As a result, the Group recorded a loss during the year ended 31 December 2020.

#### **Non-residential Property Market at a Standstill**

The non-residential property market has been persistently weak in general since early 2019. The non-residential property sector significantly underperformed the residential property sector due to the China-US trade conflicts, which clouded the economic outlook. As the China-US conflicts intensified, the economic downturn worsened. When the pandemic struck Hong Kong in the first quarter of 2020, the non-residential property market was nearly in a standstill.

In 2020, the offices, retail shops and industrial buildings segments were all struck by the fallout of the pandemic. During the year 2020, the severe travel restrictions implemented by the Hong Kong Government led to the huge drop in the number of tourist arrivals. Together with the strict social distancing measures, which brutally hit the catering and retail sectors and dragged down the performance of retail shop market, the transaction value of shops plunged by 51.2% despite a mild drop of 4.5% in transaction volume. The bleak business prospects also significantly impacted the offices segment. The rental market stayed quiet with rental values of commercial buildings in a nosedive and vacancy rate surged. Transaction volume and value of offices tumbled by 33.5% and 64.1%, respectively. Industrial properties were likewise affected by weak investment demands, with the transaction volume and value declining by 19.2% and 40.2%, respectively.

The overall market situation would have been much worse if the government did not implement economic stimulus measures. During the year 2020, the government launched the “Cash Payout Scheme” as relief to the general public and the “Employment Support Scheme” as financial assistance to business entities for supporting the labour market. The government also devised specific policies to stimulate the non-residential property market. In August 2020, the Hong Kong Monetary Authority raised the mortgage ceiling for non-residential properties by 10 percentage points from 40% to 50%. In November 2020, the government abolished the Doubled Ad Valorem Stamp Duty on non-residential property transactions. Despite the series of government initiatives in dealing with the dismal economic environment, those measures have failed to turn the overall market around.

## **OUTLOOK**

### **New Normal Shaped by the Pandemic**

A year into the pandemic, Hong Kong has gotten used to the “new normal”. The Group anticipates that there will be structural changes in the office and retail sectors.

The traditional working model has been gradually reshaped since the social movement in Hong Kong. The workforce now demands high flexibility and mobility. The pandemic has brought the “work from home” model to the mainstream, such work model is expected to be continued to a certain extent after the pandemic has eased.

As for the retail sector, the local consumer behaviour has also changed due to the pandemic. While Hong Kong has seen a slower adoption of online shopping than other countries and territories, online purchase has gained momentum as the general public is encouraged to stay at home by the virus-combating measures. Speedy and convenient online consumption is expected to endure even after the pandemic is brought under control, which might exert considerable pressure and lasting impact on the retail shop sector.

### **Vaccines Expected to Boost Non-residential Property Market**

The world has pinned its hopes on the COVID-19 vaccines to control and contain the pandemic and allow the global economy to recover. When it does, many companies are likely to resume expansion plans which have been put on hold due to the pandemic and the social events. Pent-up demand for offices is expected to be released. In addition, if the Hong Kong borders are reopened and the social distancing restrictions are further loosened by the government, retail sales may rebound and facilitate the transaction activity of shops.

The gradual revival of consumption and investment sentiments in China will help stabilise the Hong Kong economy. The listing boom in 2020 powered by leading Chinese tech companies has strengthened Hong Kong’s position as an international financial centre, which is expected to drive the rental and sales of offices in Hong Kong. Against the backdrop of the current ultra-low interest environment, the transaction volume is likely to pick up.

### **Diversification Secures Profitability**

Meanwhile, the Group’s property investment portfolio was hit hard by the poor market conditions and the Group’s rental income performance was negatively affected by the decline in occupancy rate and drop in rent. The Group will continue to put efforts in seeking rental clients for its investment properties. Indeed, the occupancy rate of the investment portfolio has been raised substantially in the first quarter of 2021. The credit business was in a sound condition and Legend Credit, the Group’s money lending unit, was able to register growth in profit and made contribution to the Group.

In addition, to meet the needs of its clients, the Group has produced video clips to promote its business and drive sales through digital engagement amidst the pandemic. The Group is well aware that the market will be fundamentally changed in the post-COVID era and it will keep equipping its staff to keep up with the times.



## FINANCIAL REVIEW

### Liquidity and financial resources

As at 31 December 2020, the Group had cash and cash equivalents of HK\$478,319,000 (2019: HK\$543,759,000) and bonds investment of HK\$45,031,000 (2019: HK\$24,592,000), whilst bank loans amounted to HK\$134,332,000 (2019: HK\$135,354,000) and unsecured zero coupon convertible note amounted to HK\$198,688,000 (2019: HK\$189,357,000).

The maturity profile of the Group's borrowings is set out as follows:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Secured bank loan with repayment on demand clause ( <i>note</i> )		
- repayable within 1 year	<b>1,312</b>	1,016
- repayable after 1 year but within 2 years	<b>1,075</b>	1,312
- repayable after 2 years but within 5 years	<b>945</b>	2,026
	<hr/> <b>3,332</b>	<hr/> 4,354
Secured bank loan		
- repayable after 2 years but within 5 years	<b>131,000</b>	-
- repayable over 5 years	-	131,000
	<hr/> <b>134,332</b>	<hr/> 135,354
	<hr/> <hr/>	<hr/> <hr/>
Convertible note		
- repayable within 1 year	<b>198,688</b>	-
- repayable after 1 year but within 2 years	-	189,357
	<hr/> <hr/>	<hr/> <hr/>

*Note: The amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.*

The Group's bank loans were secured by certain investment properties held by the Group of HK\$279,900,000 (2019: HK\$288,100,000). As at 31 December 2020, the Group had unutilised borrowing facilities amounting to HK\$65,000,000 (2019: HK\$15,000,000) from banks. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loans and convertible note are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2020, the gearing ratio of the Group was 30.6% (2019: 29.6%). The gearing ratio is calculated on the basis of the Group's total bank loans and convertible note 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 1.9 (2019: 3.9). The drop in current ratio is mainly due to the classification of convertible note, which mature in March 2021, from non-current liabilities as at 31 December 2019 to current liabilities as at 31 December 2020. The return on equity of the Group, which is the ratio of loss for the year over total equity was -0.7% (2019: -1.8%).

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its available cash so as to generate investment return to enhance the Group's financial position. The criteria for selection of investments will include (i) the risk profile involved and not speculative in nature; (ii) the liquidity of an investment; (iii) the after tax equivalent yield of an investment; and (iv) structured products are prohibited. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities with good credit quality. Investment in fixed income products are structured in different maturity profile to cater for ongoing business development. As at 31 December 2020, the Group has short term bank deposits of HK\$349,844,000 (2019: HK\$469,981,000) and bonds investment of HK\$45,031,000 (2019: HK\$24,592,000).

The directors of the Company (the "Directors") are of the view that there are sufficient financial resources to satisfy the Group's capital commitments, redemption of convertible note upon maturity and on-going working capital requirements.

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

### **Contingent Liabilities**

As at 31 December 2020, the Company executed corporate guarantee amounting to HK\$210,780,000 (2019: HK\$160,780,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 31 December 2020, banking facilities of HK\$134,332,000 (2019: HK\$135,354,000) were utilised by these subsidiaries.

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the consolidated financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

### **Employee information**

As at 31 December 2020, the Group employed 570 full-time employees (2019: 640).

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 profits 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 2020 (2019: Nil).

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2020.

## **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 confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions at all applicable times during the year ended 31 December 2020.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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 2020.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020. The figures in this announcement of the Group’s results for the year ended 31 December 2020 have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **PUBLICATION OF 2020 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.midlandici.com.hk](http://www.midlandici.com.hk)). The 2020 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 sincere gratitude to our shareholders and customers for their ongoing support, and to our management and staff for their commitment and contribution during the reporting period. The pandemic has yet to subside. We must continue to pull together in this difficult time and before long, it will be dawn.

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

Hong Kong, 29 March 2021

*As at the date of this announcement, the Board comprises six Directors, of which three are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; and three are Independent Non-Executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted.*