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**MIDLAND IC&I LIMITED**

**美聯工商舖有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8090)**

## **REVISED CAPS FOR CERTAIN EXISTING CONTINUING CONNECTED TRANSACTIONS**

The transactions contemplated under the Cross Referral Services Agreement constitute continuing connected transactions for the Company. The Transactions and the relevant annual caps were approved by the then Independent Shareholders on 31 May 2007. With the continued development of the Group and based on internal estimates of the demand under, and the operating conditions in respect of, the Transactions, the Directors expect that the existing annual caps in respect of 2008 and 2009 for the Transactions will not be sufficient for the Group's requirements. The Directors therefore propose to revise existing annual caps for the Transactions.

In this connection, the Company will seek the Independent Shareholders' approval of the revised caps for the Transactions at the EGM. The Midland Group is interested in these transactions and therefore it and its associates will abstain from voting on the relevant resolutions.

An independent board committee of the Company will be formed to advise the Independent Shareholders in connection with the revised caps for the Transactions. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders on the same.

A circular containing, among other things, further information on the revised caps for the Transactions and on the terms of the Transactions, a letter from the independent board committee of the Company, the recommendations of the independent financial adviser, together with a notice to convene the EGM, will be despatched to the Shareholders as soon as practicable.

## **REVISED CAPS FOR CERTAIN EXISTING CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 30 March 2007 and circular of the Company dated 7 May 2007 in relation to, among others, the Transactions.

\* *for identification purpose only*

As set out in the circular of the Company dated 7 May 2007, upon completion of the acquisition of the entire issued capital of Ketanfall by the Company from the Midland Group, the Company would enter into certain continuing connected transactions with the Midland Group pursuant to the Cross Referral Services Agreement. Ketanfall is the holding company of a group of companies principally engaged in the business of industrial and commercial (office and shop) property brokerage in Hong Kong.

The transactions contemplated under the Cross Referral Services Agreement constitute continuing connected transactions for the Company which must comply in full with the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The then Independent Shareholders' approval of the Transactions was obtained on 31 May 2007, and the Group and the Midland Group entered into the Cross Referral Services Agreement on 6 June 2007. The term of the Cross Referral Services Agreement will expire on 31 December 2009.

In accordance with the GEM Listing Rules, the Company has been monitoring all of its continuing connected transactions. With the continued development of the Group and based on internal estimates of the demand under, and the operating conditions in respect of, the Transactions, the Directors expect that the existing annual caps in respect of 2008 and 2009 for the Transactions will not be sufficient for the Group's requirements. The Directors therefore propose to revise existing annual caps for the Transactions.

#### **Background to and reasons for the Transactions and the terms of the Cross Referral Services Agreement**

As part of their respective usual and normal course of business currently conducted, the relevant members of Midland Group may refer estate agency business in respect of industrial and commercial (office and shop) properties to the Group from time to time; and the Group may refer estate agency business in respect of residential properties to the relevant members of Midland Group from time to time.

The Cross Referral Services Agreement provides to the effect that (i) any business opportunity falling within the Group's estate agency business in respect of industrial and commercial (office and shop) properties in Hong Kong, Macau and the PRC may be referred by the Midland Group to the relevant members of the Group on a case-by-case basis; and (ii) any business opportunity falling within the Group's estate agency business in respect of residential properties in Hong Kong, Macau and the PRC may be referred by the Group to the relevant members of the Midland Group also on case-by-case basis. There is no commitment on any member of the Group or the Midland Group to refer to the other such transactions of any minimum or maximum number and/or amount. Where concluded between the relevant parties, the terms and conditions for the provision of such cross referral services shall be reduced into individual written agreements.

Generally, the commission income shall be initially allocated as to 80% to the person who makes the referral of the transaction in question and 20% to the person who accept such referral respectively. In any event, under the Cross Referral Services Agreement, the allocation of commission income actually received from the customers and other terms thereof shall be either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to or from (as appropriate) the relevant members of the Group than terms available to or from (as appropriate) independent third parties.

## Annual caps

The existing annual caps and the actual values for the Transactions in respect of 2005 to 2007, and the revised caps for 2008 and 2009 proposed by the Company are as follows:

	Year ended 31 December			6 June 2007 to 31 December 2007		Year ending 31 December			
	2005	2006	2007	(Note)		2008	2009		
	Actual	Actual	Actual	Existing	Actual	Existing	Revised	Existing	Revised
	value	value	value	annual cap	value	annual cap	annual cap	annual cap	annual cap
	(HK\$	(HK\$	(HK\$	(HK\$	(HK\$	(HK\$	(HK\$	(HK\$	(HK\$
	million)	million)	million)	million)	million)	million)	million)	million)	million)
Internal referral fees paid to the Midland Group in respect of industrial and commercial (office and shop) properties	35.55	21.25	31.17	50	21.06	50	60	50	60
Internal referral fees received from the Midland Group in respect of residential properties	11.77	4.52	20.51	14	13.37	14	50	14	50

*Note:* The commencement date of the Cross Referral Services Agreement is 6 June 2007.

The Company confirms that aggregated values for the above transactions during 2007 have not exceeded the annual caps.

The proposed revision of the annual caps for the years ending 31 December 2008 and 2009 in relation to the internal referral fees is primarily due to the growth of the property market in Hong Kong, Macau and the PRC, including both the residential market and industrial and commercial market. At the time of the Company's acquisition of Ketanfall, the Company had determined the annual caps for the Transactions principally based on historical transaction values and the maximum annual fee level internally recorded by the Midland Group during 2004 to 2006. The internal referral fees paid to the Midland Group for the year ended 31 December 2007 were HK\$31.17 million, representing approximately 46.7% growth from that for 2006 while the internal referral fees received from the Midland Group for the year ended 31 December 2007 were HK\$20.51 million, representing approximately 353.8% growth from that for 2006.

In light of the environment of decreasing interest rate coped with an increasing inflation, the property market sentiment in Hong Kong, has improved significantly since the second half of 2007, especially in the residential sector. According to the statistic from the Land Registry of the Government of Hong Kong, (i) a total of 123,575 agreements for sale and purchase of the residential building units in Hong Kong was recorded in 2007, representing a growth of approximately 49.84% from that of the previous year of 82,472 agreements; and (ii) a total consideration for sale and purchase of the residential building units in Hong Kong of approximately HK\$434,033 million was recorded in 2007, representing a growth of approximately 87.06% from that of the previous year of approximately HK\$232,026 million. The Board expects that the market momentum will continue or even exceed previous years.

The Company has determined the revised annual caps in respect of 2008 and 2009 for the Transactions based on the relevant historical figures in 2007 with a buffer to allow more flexibility and taking into account the reasons set out above.

The Board considers that the terms of the continuing connected transactions contemplated under the Cross Referral Services Agreement are based on normal commercial terms, or on terms no less favourable than those available to/from independent third parties, and were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that all the revised annual caps mentioned above are fair and reasonable.

### **Implications under the GEM Listing Rules**

As at the date of this announcement, Midland is interested in approximately 51.81% of the issued share capital of the Company and therefore, a controlling Shareholder. Accordingly, the Transactions constitute continuing connected transactions of the Company under the GEM Listing Rules.

In respect of the revised annual caps for the Transactions, certain of the applicable percentage ratios pursuant to the GEM Listing Rules are expected to exceed 2.5% on an annual basis. In addition to complying with the reporting and announcement requirements in Rules 20.45 to 20.47 of the GEM Listing Rules, Independent Shareholders' approval will be required for the revision of the annual caps in respect of those Transactions. In this connection, the Company will seek the Independent Shareholders' approval of the revised caps for the Transactions at the EGM. The Midland Group is interested in these transactions and therefore it and its associates will abstain from voting on the relevant resolutions at the EGM.

The Company proposes to seek approval from the Independent Shareholders in respect of the revised caps for the Transactions at the EGM. An independent board committee of the Company will be formed to advise the Independent Shareholders in connection with the revised caps for the Transactions. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders on the same.

A circular containing, among other things, further information on the revised caps for the Transactions and on the terms of the Transactions, a letter from the independent board committee of the Company, the recommendations of the independent financial adviser, together with a notice to convene the EGM, will be despatched to the Shareholders as soon as practicable.

### **GENERAL**

The Company is an investment holding company and the principal activities of its subsidiaries are provision of property brokerage service in respect of industrial and commercial (office and shop) property in Hong Kong.

The principal business activities of the Midland Group are provision of real estate agency services in Hong Kong, Macau and the PRC.

## DEFINITIONS

“associates”	has the meaning ascribed thereto in the GEM Listing Rules;
“Board”	the board of Directors;
“Company”	Midland IC&I Limited (stock code: 8090), a company incorporated in the Cayman Islands with limited liability with its shares listed on the GEM of the Stock Exchange;
“Cross Referral Services Agreement”	the cross referral services agreement dated 6 June 2007 entered into between the Company and Midland in relation to the cross referral services between the relevant members of the Group and the Midland Group;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company proposed to be held for the purpose of approving the revised annual caps of the Transactions for the two years ending 31 December 2008 and 2009;
“GEM”	the Growth Enterprise Market operated by the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Shareholders”	Shareholders other than Midland and its associates;
“Ketanfall”	Ketanfall Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
“Macau”	Macau Special Administrative Region of the PRC;
“Midland”	Midland Holdings Limited (stock code: 1200), a company incorporated in Bermuda with limited liability with its shares listed on the main board operated by the Stock Exchange;
“Midland Group”	Midland and its subsidiaries;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Shareholders”	the shareholders of the Company;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited; and

“Transactions”

(i) the provision of referral of estate agency business in respect of industrial and commercial (office and shop) properties to the relevant members of the Group; and (ii) the provision of referral of estate agency business in respect of residential properties to the relevant members of Midland Group pursuant to the Cross Referral Services Agreement.

By order of the Board  
**Midland IC&I Limited**  
**Yuen Wing Kwan, Annie**  
*Executive Director and Company Secretary*

Hong Kong, 7 April 2008

*As at the date of this announcement, the Board comprises eight Directors, namely Mr. Wong Tsz Wa, Pierre, Ms. Ip Kit Yee, Kitty and Ms. Yuen Wing Kwan, Annie as executive Directors, Mr. Tsang Link Carl, Brian as non-executive Director, and Mr. Ho Kwan Tat, Ted, Mr. Koo Fook Sun, Louis, Mr. Sha Pau, Eric and Mr. Ying Wing Cheung, William as independent non-executive Directors.*

*This announcement, for which the Directors collectively and individually accept full responsibility, include particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief that: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.midlandici.com.hk](http://www.midlandici.com.hk).*