

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in Midland IC&I Limited (“Company”), you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

CONTINUING CONNECTED TRANSACTIONS

**PROPOSED NEW ANNUAL CAPS FOR
THE TRANSACTIONS UNDER
THE CROSS REFERRAL SERVICES AGREEMENT (2015)
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the independent board committee and the independent
shareholders of the Company**



The circular contains, among other things, a letter from the board of directors of the Company, a letter from the independent board committee of the Company and a letter from Octal Capital Limited (as the independent financial adviser) containing its advice to the independent board committee and the independent shareholders of the Company, all as referred to in the contents page of this circular.

A notice convening an extraordinary general meeting of Midland IC&I Limited at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on 21 November 2016 at 11:00 a.m. is set out at the end of this circular.

A proxy form for use at the extraordinary general meeting is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon. The duly completed proxy form, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be delivered to the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Delivery of a proxy form will not preclude you from attending and voting in person at the meeting, or any adjourned meeting thereof.

* For identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Annual Caps”	in relation to each of the financial years ending 31 December 2016, 2017 and 2018, the maximum annual amounts of referral fees expected to be received or paid by the Group in connection with the Transactions under the Cross Referral Services Agreement (2015)
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“close associate”	has the meaning ascribed thereto in the Listing Rules
“Company”	Midland IC&I Limited (Stock Code: 459), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Cross Referral Circular (2015)”	the circular of the Company dated 24 December 2015 issued in respect of the Cross Referral Services Agreement (2015) and the Annual Caps
“Cross Referral Services”	the cross referral services to be provided between the Group and Midland Group as more particularly described in the paragraph headed “Transactions” in the Letter from the Board in this circular
“Cross Referral Services Agreement (2015)”	the cross referral services agreement dated 16 December 2015 entered into between the Company and Midland in relation to the Transactions involving the Cross Referral Services
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on 21 November 2016 at 11:00 a.m. as set out in the notice of EGM at the end of this circular, or (where the context permits) any adjournment thereof, at which the Independent Shareholders would be asked to consider and, if thought fit, pass the ordinary resolution set out in the notice of EGM to approve the New Annual Caps
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising three independent non-executive Directors, namely, Messrs. YING Wing Cheung, William, SHA Pau, Eric and HO Kwan Tat, Ted
“Independent Shareholders”	Shareholders other than Midland and its associates
“Latest Practicable Date”	1 November 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Midland”	Midland Holdings Limited (Stock Code: 1200), a company incorporated in Bermuda with limited liability and holding company of the Company, the shares of which are listed on the main board of the Stock Exchange
“Midland Group”	Midland and its subsidiaries (but excluding the Group for the purpose of this circular)
“New Annual Caps”	the revised amounts of the Annual Cap for each of the financial years ending 31 December 2016, 2017 and 2018, as set out in the Letter from the Board
“Octal Capital”	Octal Capital Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Annual Caps for the Transactions under the Cross Referral Services Agreement (2015)
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“Relevant Territory”	Hong Kong, Macau and the PRC or any part of the foregoing, where Midland Group or the Group, as the case may be, carries on its business during the term of the Cross Referral Services Agreement (2015)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction(s)”	the provision or acceptance, as the case may be, of the Cross Referral Services by the Group pursuant to the Cross Referral Services Agreement (2015)
“US” or “U.S.”	the United States of America

LETTER FROM THE BOARD



Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

Non-Executive Directors:

Mr. KAN Chung Nin, Tony (*Chairman*)
Ms. TANG Mei Lai, Metty
Mr. TSANG Link Carl, Brian
(with Mr. CHU Kuo Fai, Gordon as his alternate)

Executive Directors:

Ms. WONG Ching Yi, Angela
Mr. WONG Hon Shing, Daniel
(Chief Executive Officer)

Independent Non-Executive Directors:

Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of

Business in Hong Kong:
Rooms 2505–8, 25th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

4 November 2016

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

**PROPOSED NEW ANNUAL CAPS FOR
THE TRANSACTIONS UNDER
THE CROSS REFERRAL SERVICES AGREEMENT (2015)
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

- 1.1** On 27 October 2016, the Company announced a proposal to revise up the amounts in the existing Annual Caps for the Transactions under the Cross Referral Services Agreement (2015) to the New Annual Caps for the financial years ending 31 December 2016, 2017 and 2018 respectively. As required by the Listing Rules, the proposed New Annual Caps will be put to vote by the Independent Shareholders at the EGM. The purpose of this circular is to provide

* *For identification purpose only*

LETTER FROM THE BOARD

the Shareholders with the relevant information with respect to the New Annual Caps together with a notice to convene the EGM to seek the requisite approval of the Independent Shareholders.

1.2 An Independent Board Committee comprising three independent non-executive Directors, namely, Messrs. YING Wing Cheung, William, SHA Pau, Eric and HO Kwan Tat, Ted, has been established to advise the Independent Shareholders on the New Annual Caps and make recommendations to the Independent Shareholders how to vote at the EGM. Octal Capital has also been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on that matter. Shareholders are advised to review the advice letters from Octal Capital and the Independent Board Committee as set out in this circular.

2. BACKGROUND TO THE TRANSACTIONS IN THE CROSS REFERRAL CIRCULAR (2015)

2.1 The Group carries out the Transactions under the Cross Referral Services Agreement (2015) in its ordinary and usual course of business. For Listing Rules purposes, they are non-exempt continuing connected transactions for the Company. The Company has complied with the relevant Listing Rules in that regard. In December 2015, it issued the Cross Referral Circular (2015) to provide the Shareholders with the relevant background to, and the reasons for, undertaking the Transactions as well as the terms of the Cross Referral Services Agreement (2015) and the existing Annual Caps.

The Company is proposing the New Annual Caps for the financial years ending 31 December 2016, 2017 and 2018. No change will be made to the terms of the Cross Referral Services Agreement (2015). The following disclosures concerning the terms of that agreement correspond to the equivalent disclosures made in the Cross Referral Circular (2015), to which the Shareholders are recommended to refer.

2.2 Term

As disclosed in the Cross Referral Circular (2015), the Cross Referral Services Agreement (2015) is a 3-year term agreement, commencing from 1 January 2016 to 31 December 2018 (both days inclusive).

2.3 The Transactions

The Transactions are essentially referrals of business opportunities in property transactions between the counterparties in the Group and the Midland Group, to secure customers' engagements for estate agency services. Midland Group has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of the Group any business opportunity relating to or falling within the Group's estate agency business in respect of industrial and commercial properties and shops in the Relevant Territory; similarly, the Group also has the right (but not obligation) to introduce, refer

LETTER FROM THE BOARD

and communicate to the relevant member(s) of Midland Group any business opportunity relating to or falling within Midland Group's estate agency business in respect of residential properties in the Relevant Territory.

Each referral is made on a case-by-case basis. There is no legally binding commitment on any member of the Group or Midland Group to refer to the other any minimum number and/or target amount of the Transactions. Where concluded between the relevant parties, the terms and conditions of the Transactions shall be reduced into individual written agreements.

2.4 Referral fee

In consideration of the referral services provided, the party making the referral is entitled to a referral fee by way of sharing the relevant commission income actually received from the customer of estate agency services. The Cross Referral Services Agreement (2015) has provided for the reference ratios in which the commission income received in property transactions will be initially allocated between the respective parties to arrive at the referral fees. Different reference allocation ratios are prescribed for the property transactions of different nature depending on whether the transactions are secondary market transactions or primary market transactions. In a secondary market transaction, the reference allocation ratio of "50:50" will be used, whereas in a primary market transaction, the reference allocation ratios ranging from "70:30" to "90:10" will apply, with a higher proportion being allocated to the party making the referral of the property purchaser it has successfully found and a lower proportion to the counterparty accepting the referral.

With the guidance of the applicable reference ratios, the final allocation of commission income with respect to each Transaction will be negotiated and concluded between the parties on arm's length and case-by-case basis after taking into account factors including: (i) the characteristics, nature and value of properties involved such as the geographical locations, types, usages, areas or other objective features of the properties as well as the subjective requirements of the specific customers; (ii) the nature and workload of the respective agents; and (iii) the scope and nature of the requisite estate agency and consultancy services contemplated under the engagements with individual customers.

In any event, under the Cross Referral Services Agreement (2015), the allocation of commission income shall be on normal commercial terms or better, that is, terms which a party could obtain if the transaction were on an arm's length basis or terms no less favourable to the relevant members of the Group than terms available to or from (as appropriate) independent third parties. To that end, the Group will continue to apply the following policy and procedures:

- (a) The commission income allocations proposed by individual estate agents are submitted to the branch managers for review and approval.
- (b) Upon receiving the submitted allocations from the branch managers, the finance department of the Group will then double check the information integrity and ensure that proper approvals have been obtained.

LETTER FROM THE BOARD

- (c) In determining whether an allocation of commission income in a particular Transaction satisfies the above criteria, the most common approach used by the Group is by reference to comparable transactions with independent third parties. The branch managers would compare the allocation together with the related terms of the Transaction with other comparable transactions that the Group made with independent third parties in so far as they are available, particularly those made under the then prevailing circumstances. The branch managers may also seek guidance and assistance from more senior managerial staff with more experience and deeper knowledge in market practice and information. In selecting the comparable transactions, particular weight would be given to those closely similar to the case in question in terms of, among other things, the nature of engagements by the customers, the workload of the respective agents relative to each other as well as the characteristics, nature and value of the properties involved.
- (d) Where no comparable transactions are available for proper consideration, the Group would assess the followings where relevant:

The nature and workload – generally, in a primary market transaction, a party referring a purchaser would ordinarily receive more commission income than the party acting for the developer because the former would typically assume relatively heavier workload. For an estate agent seeking purchasers for properties in a development, he is required not only to have solid knowledge of the characteristics of the properties offered for sale but also to proactively put efforts and time in the marketing process and adapting to the needs of the purchasers. By contrast, in primary market, the price and key commercial terms of the properties in the entire development are typically preset by the developer. Accordingly, the amount of time and efforts expected of the party acting for the developer in the sale process are limited;

The engagement scope and nature – a party acting for the vendor may bargain for higher commission income if he acts as a sole and exclusive agent for the vendor;

The characteristics, nature and value of the property – a party acting for vendor of unique and high value property is likely to be able to bargain for higher commission income; and

Other factors – for example, in some cases, the developer may set a sales target which, if met, enables the estate agent for the developer can get a higher commission rate for all the transactions. In such case, when it is close to the said sales target, the estate agent for the developer may be willing to give a higher proportionate commission income to the estate agent referring the purchaser so that the said sales target can be achieved.

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- (e) The allocation ratio for a particular property transaction, when finalized after considering the above factors, will be fixed when the parties enter into the written agreement for the property transaction.
- (f) The commission income allocations for the Transactions made will be reviewed by the management from time to time. Annually, the Transactions for the year will also be reviewed by the independent non-executive Directors, and reported on by the auditors of the Company in compliance with the relevant requirements in Chapter 14A of the Listing Rules.

As the overriding pricing policy currently provided in the Cross Referral Services Agreement (2015), the allocation of commission income shall be on normal commercial terms or better. This will not be changed in any respect.

As income of estate agents in Hong Kong is in a large part derived from commission income, the estate agents would be self-motivated by this incentive to use their best effort to secure an allocation ratio to the best of his/her own interests when negotiating the allocation of the commission income. If the proposed allocation ratio in transactions with Midland Group deviates from that commonly found in the market, the disadvantaged estate agent (including those employed by the Group) may eventually refer the business to independent third party estate agent(s) that is/are available in the market (other than Midland Group) to earn as much as possible of the commission income for himself/herself. The Company's present policy and procedures are designed along this central theme, that is, to make the negotiations in transactions to adjust to prevailing market forces. The Company believes the above policy and procedures are apt to achieve in a practical manner its objective, that is, to ensure the allocation terms are those which a party could obtain if the transaction were on an arm's length basis or terms no less favourable to the Group than those available to or from (as appropriate) independent third parties.

2.5 Settlement

Referred fee is paid out of the actual commission income received. For actual commission income received in each month, payments will generally be made by the end of the next following calendar month. The payment terms are the same as those in other referral transactions of the Group to or from (as appropriate) independent third parties.

3. NEW ANNUAL CAPS

3.1 The amounts of the existing Annual Caps for the Transactions during the financial years ending 31 December 2016, 2017 and 2018 were set out in the Cross Referral Circular (2015). The principal rationale on which they are based are explained in the Cross Referral Circular (2015).

LETTER FROM THE BOARD

The Board is proposing New Annual Caps, which are set out below together with the existing Annual Caps extracted from the Cross Referral Circular (2015) for comparisons:

Annual Caps:	Year ending 31 Dec 2016		Year ending 31 Dec 2017		Year ending 31 Dec 2018	
	Existing (HK\$ million)	New (HK\$ million)	Existing (HK\$ million)	New (HK\$ million)	Existing (HK\$ million)	New (HK\$ million)
Maximum annual amounts of referral fees expected to be paid/payable to Midland Group in respect of industrial and commercial properties and shops	85.0	110.0	90.0	110.0	95.0	110.0
Maximum annual amounts of referral fees expected to be received from Midland Group, in respect of residential properties	40.0	40.0	45.0	45.0	50.0	50.0

3.2 In the proposed New Annual Caps, only the maximum annual amounts of referral fees expected to be paid/payable to Midland Group in respect of industrial and commercial properties and shops will be raised higher than the corresponding amounts of the existing Annual Cap. The maximum annual amounts of referral fees expected to be received from Midland Group in respect of residential properties will remain unchanged.

3.3 In proposing to revise up the relevant maximum annual amounts of the referral fees for industrial and commercial properties and shops in the New Annual Caps, the Group has taken into account the latest circumstances and factors, including the following material ones:

(a) The Group's recent participations in industrial and commercial properties and shops market

During the period from 1 January 2016 to 31 August 2016, the aggregate referral fees paid/payable to the Midland Group in respect of industrial and commercial properties and shops has already reached approximately HK\$66.6 million. It means, in percentage terms, that approximately 78% of the relevant amount in the existing Annual Cap for 2016 has already been utilized. In addition, of the HK\$66.6 million referral fees recorded, approximately 70% was attributable to transactions concentrated in two property developments known as "W668 West Kowloon" ("W668") at Cheung Sha Wan, Kowloon, Hong Kong and "OK Mall" situated at No.1 On Kwan Street, Shatin, Kowloon, Hong Kong.

LETTER FROM THE BOARD

The management of the Group, in reviewing the latest figures and general market trends has noted, in particular, the potential supply of office space from the revitalization of old industrial buildings. The Group considers that the relevant amounts in the New Annual Caps should be revised up to create greater capacity for resilience to the management of the Group to act fast and efficiently, by working closely with Midland Group, to capture new business opportunities in the market.

(b) *Annualized amounts for the referral fees paid/payable to the Midland Group in respect of industrial and commercial properties and shops for 2016, 2017 and 2018*

Based on the historical referral fees for the period from 1 January 2016 to 31 August 2016 mentioned above, the annualized amount of referral fees for the whole financial year 2016 has been rising considerably above the relevant amount in the existing Annual Cap for the year. Based on such revised annualized amounts for 2016 and the factors referred to above, the estimated amounts of the Annual Caps for the financial years 2017 and 2018 are expected to be higher than the amounts in the existing Annual Caps for these years. By adjusting upwards the relevant amounts in the New Annual Caps with reference to up-to-date data, the Group's management believes it will better re-align the Group's business development in these years with the expected level of co-operation with the Midland Group.

- 3.4** The New Annual Caps proposed does not require or otherwise involve any alteration or amendment to the terms of the Cross Referral Services Agreement (2015).
- 3.5** To ensure the existing Annual Caps are not exceeded, the Group has set up the following procedures:
- (a) The aggregate amount of referral fees to be paid or payable to the Midland Group are updated on a monthly basis for the purpose of appraising the latest unutilized amounts available under the existing Annual Caps.
 - (b) For sales projects for new property developments, the Group will carry out an evaluation before it proceeds to participate in such project so as to estimate the potential amount of transactions specifically from the projects and hence the referral fees generated from such transactions.
 - (c) Weekly meetings for the management of sales department of the Group are arranged, providing frequent and regular occasions to obtain updates on the significant referral transactions concluded recently and potential significant referral transactions expected soon, and for the finance department to assess the impact on the existing Annual Caps.
- 3.6** The Directors (other than the independent non-executive Directors whose views and opinion are set out in the letter from the Independent Board Committee immediately after this letter from the Board) consider that the New Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

4. LISTING RULES IMPLICATIONS

- 4.1 The Company issued the announcement dated 27 October 2016 and this circular in connection with the New Annual Caps in compliance with the Listing Rules.
- 4.2 As at the Latest Practicable Date, Midland, through its indirect wholly-owned subsidiary, was interested in approximately 70.78% of the issued share capital of the Company. Midland is therefore the controlling shareholder of the Company. The Transactions contemplated under the Cross Referral Services Agreement (2015) constitute continuing connected transactions for the Company under the Listing Rules.
- 4.3 The highest applicable percentage ratio (other than the profits ratio) calculated using the New Annual Caps for each of the financial years ending 31 December 2016, 2017 and 2018 as the numerator exceeds 5%; and the thresholds prescribed in Rule 14A.76(2) of the Listing Rules to qualify for exemption from independent shareholders' approval requirements are not met. As required by the Listing Rules, the proposed New Annual Caps will be put to vote by the Independent Shareholders at the EGM.
- 4.4 Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela are a non-executive director and an executive director of the Company respectively. Both of them are also executive directors of Midland. They had abstained from voting on the resolutions of the Board in respect of the New Annual Caps.

5. EGM AND BOOK CLOSURE

- 5.1 Set out at the end of this circular is a notice convening the EGM at Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on 21 November 2016 at 11:00 a.m. At the EGM, the Independent Shareholders will be asked to consider and, if thought fit, pass the ordinary resolution in the terms set out in the notice of EGM to approve the New Annual Caps.
- 5.2 Votes on the resolution will be taken by poll at the EGM as required by Rule 13.39(4) of the Listing Rules. Midland and its associates holding an aggregate of 9,700,000,000 Shares (representing approximately 70.78% of the issued share capital of the Company) as at the Latest Practicable Date, will abstain from voting on the ordinary resolution at the EGM.
- 5.3 A proxy form for use at the EGM is also enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon. The duly completed proxy form, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be delivered to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for

LETTER FROM THE BOARD

holding the EGM or any adjournment thereof. Delivery of a proxy form will not preclude you from attending and voting in person at the EGM, or any adjourned meeting thereof.

- 5.4** The register of members of the Company will be closed from 17 November to 21 November 2016, both days inclusive, during which period no transfer of shares will be registered. To be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 16 November 2016.
- 5.5** If the Independent Shareholders' approval is not obtained at the EGM, the Group will only carry out the Transactions within the existing Annual Caps. The Group will also manage the Transactions so that the existing Annual Caps will not be exceeded pending the EGM to be held.

6. OTHER INFORMATION

- 6.1** The Company is an investment holding company and the principal business activities of its subsidiaries are provision of property agency services in respect of industrial and commercial properties and shops in Hong Kong.
- 6.2** The principal business activities of Midland Group are provision of property agency services in respect of residential properties in Hong Kong, Macau and the PRC.
- 6.3** Your attention is drawn to the advice of the Independent Board Committee set out in its letter after this letter from the Board. The letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders in respect of the New Annual Caps is set out immediately after the letter from the Independent Board Committee.
- 6.4** The Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM. Your attention is also drawn to the section headed "General Information" set out in this circular.

Yours faithfully,
By Order of the Board
WONG Hon Shing, Daniel
*Executive Director and
Chief Executive Officer*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of incorporation in this circular.



Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

4 November 2016

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

**PROPOSED NEW ANNUAL CAPS FOR
THE TRANSACTIONS UNDER
THE CROSS REFERRAL SERVICES AGREEMENT (2015)**

We refer to the circular of the Company dated 4 November 2016 of which this letter forms part (the “Circular”) which contains notice of EGM. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise you on the New Annual Caps. Octal Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to the letter from the Board and the letter from Octal Capital which form part of the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have considered the principal factors and reasons considered by Octal Capital and its advice as set out in its letter of advice. On such basis, it is our advice to you as the Independent Shareholders that the Cross Referral Services Agreement (2015) and the Transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group. We also consider that the terms of the Cross Referral Services Agreement (2015) and the Transactions contemplated thereunder, and the New Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM to approve the New Annual Caps.

Yours faithfully,

For and on behalf of

Independent Board Committee

YING Wing Cheung, William

SHA Pau, Eric

HO Kwan Tat, Ted

Independent non-executive Directors

LETTER FROM OCTAL CAPITAL

The following is the text of the letter of recommendation from Octal Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion of this circular.



802-805, 8/F,
Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

4 November 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS PROPOSED NEW ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE CROSS REFERRAL SERVICES AGREEMENT (2015)

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Annual Caps, details of which are contained in the circular issued by the Company (the “**Circular**”) to the Shareholders dated 4 November 2016, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

With reference to the announcement and circular of the Company dated 16 December 2015 and 24 December 2015 respectively in relation to, amongst others, the continuing connected transaction between the Group and Midland Group for the Cross Referral Services provided to each other for a term of three years commencing from 1 January 2016 to 31 December 2018 pursuant to the Cross Referral Services Agreement (2015), the Company expects that the existing Annual Caps in relation to the maximum annual amounts of referral fees expected to be paid to Midland Group for the three years ending 31 December 2016, 2017 and 2018 would no longer be sufficient. On 27 October 2016, the Company made the announcement in relation to, among others, the revision of the existing Annual Caps. All terms and conditions of the Cross Referral Services Agreement (2015) shall remain unchanged and valid until 31 December 2018.

As at the Latest Practicable Date, Midland, through its indirect wholly-owned subsidiary, was interested in approximately 70.78% of the issued share capital of the Company. Midland is therefore the controlling shareholder of the Company. The transactions contemplated under the Cross Referral Services Agreement (2015) with the New Annual Caps (the “**Transactions**”) will constitute continuing connected transactions for the Company under the Listing Rules, and is subject to independent shareholders’ approval at the EGM. Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela are a non-executive director

LETTER FROM OCTAL CAPITAL

and executive director of the Company respectively. Both of them are also executive directors of Midland. They had abstained from voting on the resolutions of the Board approving the New Annual Caps.

An Independent Board Committee, comprising Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders the New Annual Caps.

We are not connected with the directors, chief executive or substantial shareholders of the Company, the Group, the Midland Group or their respective associates and do not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date, and are therefore considered suitable to give independent advice to the Independent Board Committee, and the Independent Shareholders. Octal Capital has been appointed as the independent financial adviser to the then Independent Board Committee and the then Independent Shareholders, details of such appointments are set out in the circular of the Company dated 24 December 2015. Apart from the normal professional fees paid to us in connection with the aforesaid appointments, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and senior management of the Company. The Directors have declared in a responsibility statement contained in the Circular that the Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We have also assumed that the information and the representations made as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of the Company.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in this Letter and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group, Midland Group, or any of their respective subsidiaries or associates. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company. In rendering this opinion, we have not provided legal, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

LETTER FROM OCTAL CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have considered the following principal factors and reasons:

1. Background

Information on the Group and Midland Group

The Group is principally engaged in the provision of property agency services in respect of industrial and commercial properties and shops in Hong Kong. Midland Group is principally engaged in the provision of property agency services in respect of residential properties in Hong Kong, Macau and the PRC.

2. Key Terms of the Cross Referral Services Agreement (2015)

The key terms of the transactions contemplated under the Cross Referral Services Agreement (2015) are fair and reasonable and in the ordinary and usual course of business of the Group. The Cross Referral Services Agreement (2015) has been approved by Independent Shareholders in the extraordinary general meeting of the Company held on 13 January 2016.

The material terms of the Cross Referral Services Agreement (2015) are as follows:

(i) Scope of services

Pursuant to the Cross Referral Services Agreement (2015), Midland Group has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of the Group any business opportunity relating to or falling within the Group's estate agency business in respect of industrial and commercial properties and shops in the Relevant Territory.

With reference to the Letter from the Board, referrals of business opportunities to the counterparties to secure customers' engagements for estate agency services are made on a case-by-case basis. There is no legally binding commitment on any member of the Group or Midland Group to refer to the other any minimum number and/or target amount of the Transactions. 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 (the "**Individual Agreements**").

LETTER FROM OCTAL CAPITAL

(ii) Referral fees

The determination of respective proportions of the referral fees between the Group and Midland Group is based on reference ratios in which commissions received in property transactions are initially allocated between the respective parties to the Transactions so as to arrive at the amount of referral fees. Different reference ratios (the “**Reference Ratios**”) are prescribed for the property transactions depending on the type of property transaction. The Reference Ratios of different types of property transaction are as follows:

Property transaction type	Reference Ratios (%)	
	Referor	Referee
Primary market transaction	Between 70% to 90%	Between 30% to 10%
Secondary market transaction	50%	50%

Based on the applicable Reference Ratios, the final allocation of referral fees with respect to each transaction are negotiated between the parties on arm’s length and case-by-case basis after taking into account factors including (i) the characteristics, nature and value of properties involved such as the geographical locations, types, usages, areas or other objective features of the properties as well as the subjective requirements of the specific customers; (ii) nature and workload of the respective agents; and (iii) the scope and nature of the requisite estate agency and consultancy services contemplated under the engagements with individual customers (the “**Other Factors**”).

(iii) Settlement

Settlement of the allocated referral fees are made by the end of the next following calendar month following the month in which the commissions are actually received from or attributable to the relevant transaction.

We have reviewed the Cross Referral Services Agreement (2015) with the key terms summarised above. We consider that the key terms of the Cross Referral Services Agreement (2015) are based on normal commercial terms.

In relation to the Reference Ratio of the referral fees, we have reviewed the past records on sample basis, including (i) referral fees paid/payable to Midland Group for the eight months ended 31 August 2016; and (ii) referral fees paid/payable to independent third parties for the eight months ended 31 August 2016. We understand that the referral fees allocation ratios as in (i) above as comparable to that as in (ii) above, and we noted that the referral fees allocation basis for primary market and secondary market transactions largely correspond to the Reference Ratios.

LETTER FROM OCTAL CAPITAL

In respect of the settlement term of the Cross Referral Services Agreement (2015), we have reviewed samples of past payment records of the referral fees from the Group and independent third parties for the eight months ended 31 August 2016. We note that the settlements between the Group and Midland Group for the eight months ended 31 August 2016 were generally made by the end of the next calendar month in which the commissions are received from relevant transactions. The payment terms are similar to those in other referral transactions of the Group to or from independent third parties.

3. Implementation of the Cross Referral Services Agreement (2015)

As stated in the Letter from the Board, the allocation of commission between the Group and Midland Group under the Cross Referral Services Agreement (2015) has been negotiated and agreed on an arm's length basis after considering the Reference Ratios and Other Factors. We have made enquiries with the management and reviewed samples of past record of the Individual Agreements for the eight months ended 31 August 2016, which contain information including the type of the property transaction, Reference Ratio adopted and Other Factors considered, both of which were agreed by the designated manager in charge of the approval on the allocation of commission between the Group and Midland Group. We consider that the Group and Midland Group have taken account into the Reference Ratios and Other Factors in determining the allocation of commission and such allocation have been negotiated and agreed on arm's length basis.

As advised by the management of the Company, we note that the finance department of the Group is responsible for monitoring the actual transaction amounts relating to the referral fees between the Group and Midland Group against the Annual Caps (including the New Annual Caps). In addition, the independent non-executive Directors will review the relevant Continuing Connected Transactions and the auditor of the Company will also conduct an annual review on the relevant pricing terms and annual caps thereof to ensure that the Continuing Connected Transactions have been and will be conducted on normal commercial terms.

Annual Caps and New Annual Caps

The table below sets out the existing Annual Caps and the New Annual Caps of referral fees payable to Midland Group for each of the three years ending 31 December 2016, 2017 and 2018, respectively:

	Year ending 31 December 2016	Year ending 31 December 2017	Year ending 31 December 2018
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Annual Caps	85.0	90.0	95.0
New Annual Caps	110.0	110.0	110.0

The existing Annual Caps were approved by the Independent Shareholders for governing the annual caps of the value of the transactions with, inter alia, Midland Group for the three years ending 31 December 2016, 2017 and 2018.

LETTER FROM OCTAL CAPITAL

As set out in the Letter from the Board, the Board envisages that the Annual Caps for the three years ending 31 December 2016, 2017 and 2018 will not be sufficient and thus considers to revise the maximum aggregate annual value from HK\$85.0 million, HK\$90.0 million and HK\$95.0 million to HK\$110.0 million for each of the three years ending 31 December 2016, 2017 and 2018 respectively.

With reference to the Letter from the Board, we understand that the Company has taken into account the general market trends and actual referral fees paid/payable to Midland Group for the eight months ended 31 August 2016 by the Group to determine the New Annual Caps. In assessing the fairness and reasonableness of the New Annual Caps, we have reviewed (i) historical property market fluctuations and performance of non-residential property market; (ii) revitalisation of industrial buildings in Hong Kong; and (iii) referral fees paid/payable to Midland Group during the past eight months up to 31 August 2016.

(i) Historical property market fluctuations and performance of non-residential property market

It was noted that the property market in Hong Kong has been volatile over the years and it is considered that the volatility in the property market in Hong Kong is likely to continue to persist in the near future, as the property market is vulnerable to fluctuations in global and local economic environmental conditions, government policies and market sentiment.

According to the press release of the US Federal Reserve on 21 September 2016, it stated that the US labour market has continued to strengthen and growth of economic activity has picked up, it will be appropriate to raise the interest rate in the end of this year. In this regard, the future movement of the US interest rate is one of the major challenges facing the global economy. The movement of US interest rate will trigger volatility in the global financial markets, fluctuations in exchange rates and capital flows, and impacts on the property market.

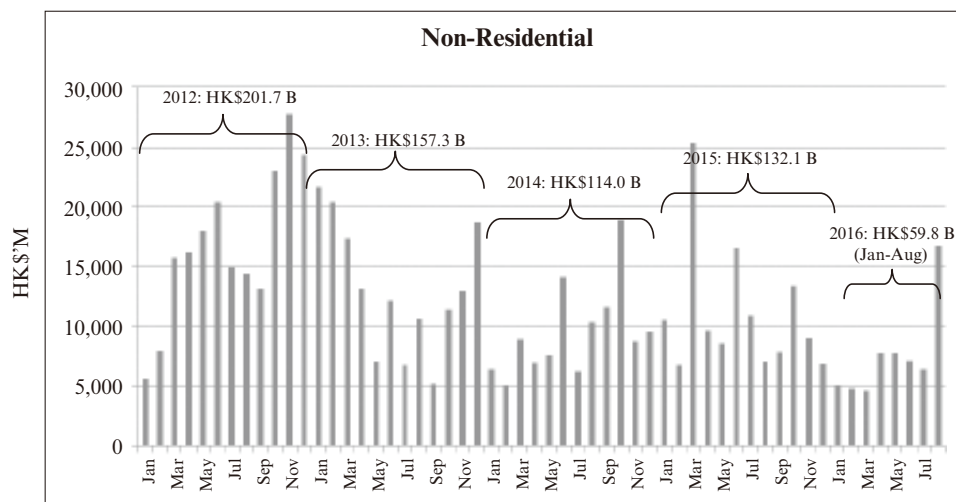
In addition, political instability in Hong Kong is also one of the factors of the property market fluctuations. According to Global Credit Research published by Moody's Investor Service ("Moody's") on 12 March 2016, Moody's has changed the outlook of Hong Kong from stable to negative. The revision of outlook rating has reflected Moody's view on the credit profile of Hong Kong due to tightening political outlook of Hong Kong affecting its credibility and effectiveness over both the near and longer term. The downgrade in rating would affect investors' appetite of investing in Hong Kong and increase fundraising costs for Hong Kong Government and other private corporations.

LETTER FROM OCTAL CAPITAL

Although with such political instability and economic uncertainty, in recent years, PRC companies are actively seeking opportunities to buy office buildings in core and non-core business districts, in which this trend has been the key driver in sales and leasing of Hong Kong's office market. With the launch of the Shanghai-Hong Kong Stock Connect in 2015 and Shenzhen-Hong Kong Stock Connect to be launched by the end of 2016, many Chinese firms especially the firms in financial industry have started to set up their offices in the core districts in Hong Kong. According to a research report by Jones Lang LaSalle on 21 June 2016, the vacancy rate for grade A offices in Hong Kong was only 3.8% by the end of June, and in Central as low as 1.3%. Due to increasing demand from companies originating from PRC and limited supply of office space, the report has suggested that the average rental rate in core district of Hong Kong will remain strong for the remainder of 2016.

According to the latest data from the Census and Statistics Department Hong Kong, the number of visitor arrivals to Hong Kong, making up three-quarters of total visitor numbers, grew 2.2 per cent in July from a year earlier, and pushed the overall arrival figure back into positive territory for the first time since June 2015, growing by 2.6 per cent. In addition, the PMI (Purchasing Managers' Index) hit an over-one-year high in August 2016 on the back of a slight improvement in client demand.

In respect of the historical performance of non-residential property market, we have reviewed the statistics from the Land Registry of the Government of Hong Kong regarding the trend of the Hong Kong property market. Extracted below are the statistics in relation to the month-on-month percentage change on the amount of consideration of agreements for sale and purchase of building units (non-residential) since January 2012 to August 2016:



Source: Land Registry of the Government of Hong Kong

LETTER FROM OCTAL CAPITAL

As noted from the above chart, the performance of non-residential property market in Hong Kong has fluctuated over the past few years. The year to year fluctuations of the amount of consideration of agreements for sale and purchase of building units varied from a decrease of approximately 27.5% in the year ended 31 December 2014 to an increase of approximately 15.9% in the year ended 31 December 2015. Although the figure for the first half year of 2016 is comparatively lower than that of 2015, we note that the figure of August 2016 of approximately HK\$16.6 billion which is more than double of the average monthly amount of the first half year of 2016, which is mainly attributable to the increasing capital inflows to Asia and lower expectation of a US interest rate rise after the Brexit vote in June.

We understand that the Group has determined the New Annual Caps by taking into account the general market trend in terms of the historical property market fluctuations and overall performance of the non-residential property market to allow for flexibility to capture business opportunities. We consider that the basis in determining the New Annual Caps is reasonable.

(ii) Revitalisation of industrial buildings in Hong Kong

With reference to the Letter from the Board, the New Annual Caps has also been determined by reference to the revitalisation of industrial buildings (the “**Revitalisation**”) launched by Development Bureau of Hong Kong. According to its official website, we understand that the Revitalisation was implemented in 2010, which aims to facilitate redevelopment or wholesale conversion of old industrial buildings with a view to providing more floor space to meet Hong Kong’s changing social and economic needs. With reference to a press release published by the Hong Kong Government on 16 March 2016, as at end of February 2016, the Lands Department has approved 124 out of 215 applications under Revitalisation, which would provide a total of about 1.38 million square metres of floor area in the coming years.

We have also reviewed the Hong Kong Property Review 2016 (the “**Property Review 2016**”) published by Rating and Valuation Department in April of 2016. The actual and forecast completions in floor area of private office for the year ended 2015 and the two years ending 2017 are set out below respectively:

Year	Actual 2015	Forecast 2016	2017
Completions Floor Area (‘000m ²)	165	199	232
% change	–	20.6%	16.6%

LETTER FROM OCTAL CAPITAL

As illustrated in the above table, the forecast completion in floor area of private office increased by approximately 20.6% in 2016 as compared to 2015. According to the Property Review 2016, the increasing supply of private office is mainly due to (i) numbers of planned commercial site put out by the Hong Kong Government; and (ii) the Revitalisation encouraging owners to convert their industrial buildings to office buildings. Both of (i) and (ii) would absorb the increasing demand from PRC and overseas companies striving for office space to setup their branches in Hong Kong.

Having considered the abovementioned (i) the effect of Revitalisation and (ii) the forecast figures extracted from the Property Review 2016, we are of the view that the supply of private office will maintain an upward trend from 2016 to 2018 and concur with the Directors that the Revitalisation in determining the New Annual Caps is reasonable.

(iii) Referral fees paid/payable to Midland Group during the past eight months up to 31 August 2016

Through our discussions with the management, we understand that the Group intends to foster a closer co-operation with Midland Group in the near future through engagements in more cross-referral transactions. With long history of professional teams of both groups working with each other, Midland Group has referred numbers of non-residential property transactions to the Group for the eight months ended 31 August 2016. We have reviewed the financial information provided by the Company that the referral fees paid/payable to Midland Group for the eight months ended 31 August 2016 has exceeded the monthly schedule for the same period which was used for determining the existing Annual Caps.

Set out below are the historical referral fees for the two years ended 31 December 2015 and the actual referral fees for the eight months ended 31 August 2016:

	Historical referral fees for the	Year ended	Year ended	Actual referral
	31 December	31 December	31 December	fees for the
	2014	2015	2016	eight months
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	ended
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	31 August
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	2016
Referral fees paid/ payable to Midland Group in respect of industrial and commercial properties and shops	87.7	74.6	66.6	66.6

LETTER FROM OCTAL CAPITAL

Based on the amount of referral fees recorded for the eight months ended 31 August 2016 of approximately HK\$66.6 million, the annualised referral fees paid/payable to Midland Group in respect of industrial and commercial properties and shops for the year ending 31 December 2016 is estimated to be approximately HK\$99.9 million. The New Annual Caps of 2016 is calculated as approximately HK\$110.0 million after taking into account of (i) an unexpected growth of the referral fees paid/payable to Midland Group; (ii) an annualised referral fees paid/payable to Midland Group for the year ending 31 December 2016 of HK\$99.9 million; and (iii) a 10% buffer of the estimated amount for more flexibility for the aforesaid market fluctuations and the possible future growth development of both the Group and Midland Group.

Upon our enquiries, the management advised us that such unexpected growth of the referral fees paid/payable to Midland Group was primarily attributable to two projects of commercial property transactions referred from Midland Group (the “**Two Projects**”) in which the property transaction types were primary market transactions so that the referral fee allocation ratios of the Two Project to Midland Group were as high as approximately of 90%.

In connection with the above, we have reviewed the information about the Two Projects including their individual agreements, land and property searches and recent market statistics. We noted that (i) the properties are namely W668 West Kowloon located at Cheung Sha Wan and OK Mall located at Shek Mun of Shatin respectively; (ii) Cheung Sha Wan and Shek Mun are one of the industrial areas under the Revitalisation; (iii) the transactions in relation to the Two Projects have accounted for more than 70% of the referral fees paid/payable to Midland Group for the eight months ended 31 August 2016; (iv) the average referral fee allocation ratios of the Two Projects to Midland Group fell into the range of Reference Ratios of primary market transactions; and (v) the contract sum of the property transactions of the Two Projects were generally higher than that of other projects. In this connection and taking account of the above findings, we consider that the New Annual Caps of 2016 is fair and reasonable.

Furthermore, the Directors consider that (i) the commission allocation between the Group and Midland Group will remain stable; (ii) the Group intends to maintain a closer co-operation with Midland Group; and (iii) the Revitalisation will bring opportunities between the Group and Midland Group for the years ending 31 December 2016, 2017 and 2018. As such, the New Annual Caps of 2017 and 2018 will remain at HK\$110.0 million which is the same as 2016. Having considered that (i) the terms of Cross Referral Services Agreement (2015) remains unchanged; (ii) the Group has long term cooperation with Midland Group on cross referral services; (iii) the Group and Midland Group may benefit from the Revitalisation in the coming years; and (iv) the opportunity for the occurrence of property transactions similar to the Two Projects in 2017 and 2018 cannot be ruled out, we are of the view that the New Annual Caps of 2017 and 2018 are expected to be consistent with that of 2016.

LETTER FROM OCTAL CAPITAL

Given the above and in particular that (i) the New Annual Caps are determined to allow for flexibility to capture business opportunities after taking account into the historical property market fluctuations and overall performance of the non-residential property market; (ii) the supply of private office is positively related to the effect of the Revitalisation; (iii) the annualised referral fees paid/payable to Midland Group for the year ending 31 December 2016 of HK\$99.9 million are estimated based on the actual referral fees for the eight months ended 31 August 2016 and the 10% buffer is determined to account for market fluctuations and the possible future growth development; and (iv) the New Annual Caps of 2017 and 2018 are expected to be consistent with that of 2016 after taking into account the commission allocation between the Group and Midland Group as well as the cooperation with Midland Group will remain stable, we concur with the Directors' view that the New Annual Caps in respect of industrial and commercial properties and shops for the three years ending 31 December 2018 are in the interest of the Company and its shareholders as a whole and fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

However, as the New Annual Caps relate to future events and are based on assumptions which may or may not remain valid for the entire term of the Cross Referral Services Agreement (2015), consequently, we express no opinion as to how closely the actual amounts payable by the Group to Midland Group under the Cross Referral Services Agreement (2015) correspond with the New Annual Caps.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Cross Referral Services Agreement (2015), the Transactions contemplated thereunder and the New Annual Caps are fair and reasonable in so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution at the EGM to approve the New Annual Caps.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Wong Wai Leung**
Managing Director *Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

2.1 As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) were as follows:

(a) *Long positions in the Shares and underlying Shares*

Name of Director	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	To Total	Approximate percentage of the issued shares of the Company
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	20,000,000	15,000,000 <i>(Note 1)</i>	35,000,000	0.26%
Mr. YING Wing Cheung, William	Personal interest/ Beneficial owner	3,000,000	–	3,000,000	0.02%

Note:

- These underlying Shares were held by Mr. WONG Hon Shing, Daniel by virtue of the interests in the share options of the Company granted to him.

GENERAL INFORMATION

(b) *Long positions in the shares and underlying shares of associated corporation of the Company*

Name of associated corporation	Name of Director	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued shares of associated corporation
Midland	Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	185,830,144 (Note 2)	7,209,160 (Note 3)	193,039,304	26.88%
		Personal interest/ Beneficial owner	–	7,209,160 (Note 4)	7,209,160	1.00%
Midland	Ms. WONG Ching Yi, Angela	Personal interest/ Beneficial owner	–	7,209,160 (Note 5)	7,209,160	1.00%

Notes:

2. These shares represent the shares held directly or indirectly by Mr. WONG Kin Yip, Freddie (“Mr. WONG”), the spouse of Ms. TANG Mei Lai, Metty (“Ms. TANG”), as ultimate beneficial owner in the shares of Midland, the associated corporation of the Company.
3. These underlying shares represent the interests in the share options of Midland held by Mr. WONG, the spouse of Ms. TANG, by virtue of the interests in the share options of Midland granted to him.
4. These underlying shares were held by Ms. TANG by virtue of the interests in the share options of Midland granted to her.
5. These underlying shares were held by Ms. WONG Ching Yi, Angela (“Ms. WONG”) by virtue of the interests in the share options of Midland granted to her.
6. Ms. TANG and Ms. WONG are executive directors of Midland.

(c) Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

GENERAL INFORMATION

2.2 Other interests

- (a) As disclosed in the announcement of the Company dated 27 April 2016, there is a tenancy agreement entered into between the Group and associate of Ms. TANG and Ms. WONG. The tenancy is for the letting of the premises located at Nos. 11–17, 7th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Kowloon, Hong Kong by an associate of Ms. TANG and Ms. WONG to the Group. The term is from 1 May 2016 to 30 April 2018 at a monthly rental of HK\$195,000 from 1 May 2016 to 30 April 2017 and HK\$207,000 from 1 May 2017 to 30 April 2018 pursuant to a tenancy agreement dated 27 April 2016. In addition, there was also a licence to install billboard at the lower part of the external wall facing Shanghai Street of the building known as “No. 33 Argyle” at Nos. 611–617 Shanghai Street and No. 33 Argyle Street, Kowloon, Hong Kong granted by an associate of Ms. TANG and Ms. WONG to the Group. The licence term was from 1 November 2015 to 31 October 2017. A monthly licence fee of HK\$82,000 is payable pursuant to a licence agreement dated 15 December 2015.
- (b) Save as disclosed above in this section:
- (i) none of the Directors was materially interested in any other contracts or arrangements subsisting at the Latest Practicable Date which is significant in relation to the business of the Group; and
 - (ii) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) The members of the Independent Board Committee have no material interests in the Cross Referral Services Agreement (2015) nor the Transactions.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the relevant members in the Group as employers within one year without payment of compensation (other than statutory compensation)).

GENERAL INFORMATION

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT AND CONSENT

6.1 Octal Capital is a corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Annual Caps.

6.2 Octal Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its names in the form and context in which they respectively appear.

6.3 As at the Latest Practicable Date, Octal Capital did not have (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

8. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Cross Referral Services Agreement (2015) is available for inspection at the head office and principal place of business of the Company in Hong Kong at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong during normal business hours on any business day (Saturdays excluded) from the date of this circular up to and including the date of the EGM.

NOTICE OF EGM



Midland IC&I Limited
美聯工商舖有限公司*

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

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Midland IC&I Limited (the “Company”) will be held at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on 21 November 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the New Annual Caps for the Transactions (both as defined in the circular of the Company dated 4 November 2016) be and are hereby approved and that the Directors be and are hereby authorized to do all acts and take all necessary actions in connection therewith.”

By Order of the Board
Midland IC&I Limited
MUI Ngar May, Joel
Company Secretary

Hong Kong, 4 November 2016

*Head Office and Principal Place of
Business in Hong Kong:*
Rooms 2505–8, 25th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Notes:

1. All votes at the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
2. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or (if he is a holder of two or more shares) more than one proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. A proxy form for the Meeting is enclosed with this circular. Whether or not you intend to attend the Meeting in person, you are requested to complete and return the proxy form in accordance with the instructions printed thereon.

* *For identification purpose only*

NOTICE OF EGM

4. The completed proxy form together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Delivery of a proxy form will not preclude you from attending and voting in person at the Meeting and at any adjournment thereof. In any event, the proxy form shall be deemed to be revoked.
5. Where there are joint registered holders of a share of the Company, any one of such holders may vote at the Meeting either in person or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting in person or by proxy, that one of the said holders so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.
6. The register of members of the Company will be closed from 17 November to 21 November 2016, both days inclusive, during which period no transfer of shares will be registered. To be eligible to attend and vote at the Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 16 November 2016.