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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 RENEWAL OF CROSS REFERRAL SERVICES AGREEMENT

On 31 October 2012, the Company entered into the Cross Referral Services Agreement (2012) with Midland in relation to the Cross Referral Services provided between the Group and Midland Group for three financial years commencing from 1 January 2013 to 31 December 2015 (both days inclusive).

The Transactions together with the Annual Cap are conditional on approval by the Independent Shareholders at the EGM to be convened by the Company. Midland and its associates, currently holding an aggregate of about 70.80% of the issued share capital of the Company, will abstain from voting on the ordinary resolution at the EGM.

A circular containing, among other things, further information on the Cross Referral Services Agreement (2012), the Transactions and the Annual Cap, a letter from the independent board committee of the Company, the recommendation of the independent financial adviser, together with a notice convening the EGM, will be despatched to the Shareholders on or before 21 November 2012.

* *For identification purpose only*

INTRODUCTION

On 31 October 2012, the Company entered into the Cross Referral Services Agreement (2012) with Midland in relation to the Cross Referral Services provided between the Group and Midland Group, the material terms of which are summarised below.

CROSS REFERRAL SERVICES AGREEMENT (2012)

1. Date

31 October 2012

2. Parties

- (1) The Company; and
- (2) Midland

Midland is a controlling shareholder of the Company and hence a connected person of the Company. As at the date of this announcement, Midland and its associates are currently holding an aggregate of about 70.80% of the issued share capital of the Company.

3. Term

3 years from 1 January 2013 to 31 December 2015 (both days inclusive)

4. Services covered by the Cross Referral Services Agreement (2012)

Pursuant to the Cross Referral Services Agreement (2012):

- (1) Midland Group shall have the right (but not obligation) to refer any business opportunity falling within the Group's estate agency business in respect of industrial and commercial properties and shops in the Relevant Territory to the relevant members of the Group on a case-by-case basis; and
- (2) similarly, the Group shall have the right (but not obligation) to refer any business opportunity falling within Midland Group's estate agency business in respect of residential properties in the Relevant Territory to the relevant members of Midland Group on a case-by-case basis.

There is no commitment on any member of the Group or Midland Group to refer to the other any minimum number and/or amount of 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.

5. Referral fees

On average, the commission income arising from the transactions will be allocated as to approximately 50% to the party who makes the referral and approximately 50% to the party who accepts such referral respectively. The allocation of commission with respect to each transaction will be negotiated between the parties on arm's length and case-by-case basis after taking into account factors such as the nature of properties and transactions involved for which agency services would be referred, workload of the respective agents and the scope and nature of the requisite estate agency and consultancy services contemplated under individual engagements with customers. In any event, under the Cross Referral Services Agreement (2012), the allocation of commission income 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 the relevant members of the Group than terms available to or from (as appropriate) independent third parties.

ANNUAL CAP

For the past two financial years ended 31 December 2010 and 2011, and the six months ended 30 June 2012, the amounts of referral fees paid or received by the Group for the Cross Referral Services are as follows:

	Year ended 31 December 2010 <i>(HK\$ million)</i>	Year ended 31 December 2011 <i>(HK\$ million)</i>	Six months ended 30 June 2012 <i>(HK\$ million)</i>
Referral fees paid to Midland Group in respect of industrial and commercial properties and shops	40.24	26.61	28.85
Referral fees received from Midland Group in respect of residential properties	21.02	13.63	11.90

The annual cap on the referral fees payable by the Group to Midland Group for each of the financial years 2010, 2011 and 2012 of the Company was HK\$50 million, HK\$55 million and HK\$60 million respectively; and the annual cap on the referral fees payable by Midland Group to the Group for each of the financial years 2010, 2011 and 2012 of the Company was HK\$35 million, HK\$40 million and HK\$45 million respectively. The aggregate amount of fees paid or received by the Group for the Cross Referral Services in each of the financial years 2010 and 2011 and the first half of the financial year 2012 are within the corresponding annual cap.

The property market in Hong Kong has benefited from the recent quantitative easing measures announced by the United States and the stable growth of the PRC economy. The low interest rate environment is expected to continue and it is believed that the industrial and commercial properties and shops sector will continue to be appealing to investors generally. In Hong Kong, the Hong Kong government has recently announced the introduction of a Buyer's Stamp Duty on residential properties acquired by any person except a Hong Kong permanent resident and revision to the duty rates and extension of coverage period in respect of the existing Special Stamp Duty to address the property market's growth. The full impact of these measures on Hong Kong property market, in particular the medium to long term impact, is yet to be assessed. In light of these factors, the Directors are cautiously optimistic about the market outlook. Based on the aforesaid and the past transaction records, the Annual Cap on the referral fees payable by the Group to Midland Group will be HK\$84 million, HK\$89 million and HK\$94 million for the financial years 2013, 2014 and 2015 respectively. The Annual Cap on the referral fees payable by Midland Group to the Group will be HK\$40 million, HK\$45 million and HK\$50 million for the financial years 2013, 2014 and 2015 respectively.

REASONS FOR THE TRANSACTIONS

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.

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.

The Group and Midland Group have been providing the Cross Referral Services to each other for the past three years in the ordinary and usual course of their respective businesses. These services are currently governed by the Cross Referral Services Agreement (2009). Further details of the Cross Referral Services Agreement (2009) are set out in the circular of the Company issued on 26 November 2009.

The Cross Referral Services Agreement (2009) is due to expire on 31 December 2012. By entering into the Cross Referral Services Agreement (2012), the Company seeks to continue such transactions for a further 3-year term.

The Directors (other than the Independent Non-executive Directors who will give their opinion and advice to the Independent Shareholders after having considered the advice of the independent financial adviser) consider that the terms of the Transactions are on normal commercial terms, or on terms no less favourable than those available to or from independent third parties and, together with the Annual Cap, are fair and reasonable. They also consider that the Transactions are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Midland is interested in approximately 70.80% of the issued share capital of the Company and is therefore a controlling shareholder of the Company. The Transactions contemplated under the Cross Referral Services Agreement (2012) will constitute continuing connected transactions for the Company under the Listing Rules.

The highest applicable percentage ratio (other than profits ratio) in respect of the Annual Cap for each financial year 2013, 2014 and 2015 exceeds 5%; and the other thresholds prescribed in Rule 14A.34 to qualify for exemption from independent shareholders' approval requirements are not met. Under the Listing Rules, the Transactions not falling under Rule 14A.34 will constitute non-exempt continuing connected transactions for the Company and shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In accordance with the Listing Rules, the Transactions and the Annual Cap are conditional on approval by the Independent Shareholders.

The Company will convene the EGM at which the Independent Shareholders will consider and if appropriate, pass an ordinary resolution to approve the Cross Referral Services Agreement (2012), the Transactions as well as the Annual Cap. The votes on the relevant resolution will be taken by poll. Midland and its associates, holding an aggregate of about 70.80% of the entire issued share capital of the Company, will abstain from voting on that ordinary resolution at the EGM.

An independent board committee of the Company, comprising all the independent non-executive Directors, will be formed to advise the Independent Shareholders in connection with the Cross Referral Services Agreement (2012), the Transactions and the Annual Cap. An independent financial adviser will also 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 Cross Referral Services Agreement (2012), the Transactions and the Annual Cap, a letter from the independent board committee of the Company, the recommendation of the independent financial adviser, together with a notice convening the EGM, will be despatched to the Shareholders on or before 21 November 2012.

If the Independent Shareholders' approval is not obtained at the EGM, the Group will only carry out the Transactions if and to the extent that all of the applicable percentage ratios (other than the profits ratio) in respect of these Transactions on an annual basis are less than the thresholds set out in Rule 14A.34 of the Listing Rules and in compliance with the Listing Rules in all respects.

DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Annual Cap”	in relation to any financial year of the Company ending 31 December 2013, 2014 and 2015, the maximum annual amount of referral fees expected to be received or paid by the Group in connection with the Cross Referral Services under the Cross Referral Services Agreement (2012)
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors

“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 Stock Exchange
“Cross Referral Services”	the cross referral services provided between the Group and Midland Group as more particularly described in the paragraph headed “Services covered by the Cross Referral Services Agreement (2012)” in this announcement
“Cross Referral Services Agreement (2009)”	the cross referral services agreement dated 5 November 2009 entered into between the Company and Midland in relation to the Cross Referral Services
“Cross Referral Services Agreement (2012)”	the cross referral services agreement dated 31 October 2012 entered into between the Company and Midland in relation to the Cross Referral Services
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held for approving the Cross Referral Services Agreement (2012), the Transactions and the Annual Cap
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Midland and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau 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 Stock Exchange
“Midland Group”	Midland and its subsidiaries (but excluding the Group for the purpose of this announcement)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan

“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 (2012)
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the provision or acceptance, as the case may be, of the Cross Referral Services by the Group pursuant to the Cross Referral Services Agreement (2012)

By order of the Board
WONG Hon Shing, Daniel
Executive Director and Chief Executive Officer

Hong Kong, 31 October 2012

As at the date of this announcement, the Board comprises eight Directors, of which four are Executive Directors, namely Ms. TANG Mei Lai, Metty, Mr. WONG Tsz Wa, Pierre, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; one is Non-executive Director, namely Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate); and three are Independent Non-executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted.