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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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**CONTINUING CONNECTED TRANSACTIONS
PROPOSED CROSS REFERRAL SERVICES AGREEMENT (2018),
NEW ANNUAL CAPS AND REVISED ANNUAL CAP
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 Monday, 3 December 2018 at 12:00 noon 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 of attorney 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.

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DEFINITIONS

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

“annual caps”	the maximum annual amounts of any and all of the referral fees from or to Midland Group arising from the transactions under the Cross Referral Services Agreement (2015) or the Cross Referral Services Agreement (2018) or both of such agreements, as the case may be
“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 Services”	the cross referral services between the Group and Midland Group as more particularly described in this circular
“Cross Referral Services Agreement (2015)”	the cross referral services agreement dated 16 December 2015 entered into between the Company and Midland and the transactions thereunder
“Cross Referral Services Agreement (2018)”	the cross referral services agreement dated 25 October 2018 entered into between the Company and Midland and the transactions thereunder
“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 Monday, 3 December 2018 at 12:00 noon, the notice of which is set out at the end of this circular
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising two independent non-executive Directors, namely, Messrs. YING Wing Cheung William, and SHA Pau, Eric
“Independent Shareholders”	Shareholders other than those which are required to abstain from voting at the EGM in accordance with the Listing Rules and the applicable law
“Latest Practicable Date”	12 November 2018, 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 Macau Special Administrative Region of the PRC
“Midland”	Midland Holdings Limited (Stock Code: 1200), a company incorporated in Bermuda with limited liability and a substantial shareholder of the Company, the shares of which are listed on the main board of the Stock Exchange
“Midland Group”	Midland and its subsidiaries
“New Annual Caps”	the annual caps on any and all of the referral fees from or to Midland Group under the Cross Referral Services Agreement (2018) for the financial years ending 31 December 2019, 2020 and 2021, the amounts of which are set out in section 3 of the Letter from the Board in this circular
“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 Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, 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 (2018)
“Revised Annual Cap”	the annual caps on any and all of the referral fees to Midland Group under the Cross Referral Services Agreement (2015) for the year ending 31 December 2018, the amount of which are set out in section 3 of the Letter from the Board in this circular
“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) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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*)
Mr. TSANG Link Carl, Brian
(with Mr. CHU Kuo Fai, Gordon as his alternate)

Executive Directors:

Ms. TANG Mei Lai, Metty
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

14 November 2018

To the Shareholders

Dear Sir/Madam,

**PROPOSED CROSS REFERRAL SERVICES
AGREEMENT (2018), NEW ANNUAL CAPS AND
REVISED ANNUAL CAP
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

- 1.1** On 25 October 2018, the Company announced the proposals involving the Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap.
- 1.2** The purpose of this circular is to provide the Shareholders with the relevant information with respect to these proposals and a notice to convene the EGM to seek the requisite the Independent Shareholders' approval of these proposals.

* *For identification purpose only*

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1.3 An Independent Board Committee comprising two independent non-executive Directors, namely, Messrs. YING Wing Cheung, William and SHA Pau, Eric, has been established to advise the Independent Shareholders on the Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap and to 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 those matters. Shareholders are advised to review the letter from the Independent Board Committee and the letter of advice from Octal Capital as set out in this circular.

2. PROPOSED CROSS REFERRAL SERVICES AGREEMENT (2018), NEW ANNUAL CAPS AND REVISED ANNUAL CAP

On 25 October 2018, the Company entered into the Cross Referral Services Agreement (2018) with Midland. The Cross Referral Services Agreement (2018) seeks to renew the Cross Referral Services Agreement (2015) due to end after 31 December 2018. Subject to the approval by the Independent Shareholders, the Cross Referral Services Agreement (2018) will come into effect on 1 January 2019, and be valid for three financial years from 1 January 2019 to 31 December 2021. The Cross Referral Services Agreement (2018) has incorporated the substantive provisions of the Cross Referral Services Agreement (2015) for the continuation of the provision of the Cross Referral Services between the respective members of the Group and Midland Group.

The Company is also proposing the New Annual Caps for the financial years ending 31 December 2019, 2020 and 2021 respectively. The Revised Annual Cap in place of the existing annual cap on the referral fees to Midland Group for the current financial year ending 31 December 2018 will also be proposed.

2.1 Term

Subject to the approval by the Independent Shareholders, the Cross Referral Services Agreement (2018) will come into effect on 1 January 2019, and be valid for three financial years from 1 January 2019 to 31 December 2021.

2.2 Transactions under the Cross Referral Services Agreement (2018)

The transactions under the Cross Referral Services Agreement (2018) are of the same nature as those covered by the Cross Referral Services Agreement (2015). They are essentially referrals of business opportunities in property transactions, between the counterparties in the Group and the Midland Group, to secure engagements by the customers 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 and communicate to the relevant member(s) of Midland Group any business opportunity

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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 under the Cross Referral Services Agreement (2018). Where concluded between the relevant parties, the terms and conditions of the transactions under the Cross Referral Services Agreement (2018) shall be reduced into individual written agreements.

2.3 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 (2018) 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 under the Cross Referral Services Agreement (2018) 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 under the engagements with individual customers.

Under the Cross Referral Services Agreement (2018), 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. 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.

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- (c) In determining whether an allocation of commission income in a particular transaction under the Cross Referral Services Agreement (2018) 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 under the Cross Referral Services Agreement (2018) 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 under the Cross Referral Services Agreement (2018) will be reviewed by the management from time to time. Annually, the transactions under the Cross Referral Services Agreement (2018) for the year will also be reviewed by the independent non-executive Directors, and reported, 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 (2018), 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 their 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. 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 transactions 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.

2.4 Settlement

Referral 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.

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3. REVISED ANNUAL CAP AND NEW ANNUAL CAPS

3.1 The amounts of the existing annual caps for the financial years ended 31 December 2016, 2017 and 2018 are as follows:

Existing annual caps:	Year ended 31 Dec 2016 <i>(HK\$ million)</i>	Year ended 31 Dec 2017 <i>(HK\$ million)</i>	Year ending 31 Dec 2018 <i>(HK\$ million)</i>
Referral fees to Midland Group ⁽¹⁾	110.0	110.0	110.0
Referral fees from Midland Group ⁽²⁾	40.0	45.0	50.0

Set out below are the historical amounts of the referral fees from or to Midland Group for the financial years ended 31 December 2015, 2016 and 2017 and for the eight months ended 31 August 2018:

Amounts:	Year ended 31 Dec 2015 <i>(HK\$ million)</i>	Year ended 31 Dec 2016 <i>(HK\$ million)</i>	Year ended 31 Dec 2017 <i>(HK\$ million)</i>	8 months ended 31 Aug 2018 <i>(HK\$ million)</i>
Referral fees to Midland Group ⁽¹⁾	74.6	102.0	97.7	90.4
Referral fees from Midland Group ⁽²⁾	26.4	26.2	34.6	12.7

Notes:

- (i) The referral fees paid/payable to Midland Group for the 10 months ended 31 October 2018 is HK\$99.6 million.*
- (ii) Up to 31 October 2018, the transaction amount has not exceeded the 2018 annual caps.*
- (iii) The Group applies the procedure listed in the paragraph 3.4 to ensure the existing annual cap will not be exceeded before obtaining the Independent Shareholders approval at the EGM.*

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The Board is proposing the Revised Annual Cap for the financial year ending 31 December 2018 and the New Annual Caps for the financial years ending 31 December 2019, 2020 and 2021 as follows:

Annual caps:	<i>Revised</i>	<i>New Annual Caps</i>		
	<u>Annual Cap</u>	<u>Year ending</u>	<u>Year ending</u>	<u>Year ending</u>
	Year ending	31 Dec 2019	31 Dec 2020	31 Dec 2021
	31 Dec 2018	(HK\$ million)	(HK\$ million)	(HK\$ million)
Referral fees to				
Midland Group ⁽¹⁾	130.0 ⁽³⁾	145.0	145.0	145.0
Referral fees from				
Midland Group ⁽²⁾	50.0	50.0	50.0	50.0

Notes:

- (1) *It refers to referral fees paid/payable to Midland Group in respect of industrial and commercial properties and shops.*
- (2) *It refers to referral fees received/receivable from Midland Group in respect of residential properties.*
- (3) *The Revised Annual Cap is on the referral fees to Midland Group for the financial year ending 31 December 2018.*

3.2 The Revised Annual Cap

The Group has been monitoring the historical transacted amounts of the transactions under the Cross Referral Services Agreement (2015) for the financial years ended/ ending 31 December 2016, 2017 and 2018. As shown above, the annual caps for the referral fees from or to Midland for the financial years ended 31 December 2016 and 2017 have not been exceeded.

However, it is expected that the annual cap on the referral fees to Midland Group for the financial year ending 31 December 2018 of HK\$110.0 million will be exceeded.

The referral fees to Midland Group in respect of industrial and commercial properties and shops for the eight months ended 31 August 2018 accounted for approximately 92.5% of that for the year ended 31 December 2017. The unexpected growth of the referral fees to Midland Group during the eight months ended 31 August 2018 was primarily attributable to the transactions related to industrial and commercial properties being spinning off into several smaller property units. They are renovated based on new floor plans to enhance the efficiency in the use of spaces. They are generally smaller in size and less expensive than ordinary units, and thus provide a lower entry level for buyers.

The determination of the appropriate amount of the Revised Annual Cap on the referral fees to Midland Group for the full year of 2018 is primarily made by reference to the amount of the referral fees to Midland Group recorded for the eight months

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ended 31 August 2018. The determination process has taken into account, among other factors, the annualised referral fees to Midland Group in respect of industrial and commercial properties and shops for the year ending 31 December 2018 at approximately HK\$130.0 million, calculated based on the amounts of such referral fees recorded for the eight months ended 31 August 2018. The monthly referral fees paid/payable to Midland Group in July and August of 2018 of approximately HK\$10 million per month are also relied upon, which offer the most recent indication of the likely transaction level from September to December 2018. After consideration of the above factors, the management of the Group considers that HK\$130.0 million to be an appropriate annual cap for the referral fees to Midland Group for 2018 on a full year basis. The management of the Group therefore proposes the Revised Annual Cap to increase the referral fees to Midland Group from HK\$110.0 million to HK\$130.0 million.

The existing annual cap on the referral fees from Midland Group for the year ending 31 December 2018 will remain unchanged at HK\$50 million.

3.3 The New Annual Caps

The New Annual Caps for the financial years 2019, 2020 and 2021 are determined primarily by reference to the historical transactions between the Group and Midland Group as shown above.

The Group adopts 10% as the growth rate to represent the Group's anticipation of the referral fees to Midland Group after 2018. Taking the Revised Annual Cap for 2018 and applying the 10% growth rate, it would yield approximately HK\$145 million. This amount is adopted by the Group for the New Annual Caps on the referral fees to Midland Group for all three financial years 2019, 2020 and 2021. As for the New Annual Caps on the referral fees from Midland Group for all three financial years 2019, 2020 and 2021, the Group adopts the same limit at HK\$50 million as the corresponding annual cap for the current year 2018, anticipating that those referral fees from Midland Group for those three years to fall in the same level as the current one.

In arriving at the above amounts of the New Annual Caps on the referral fees from or to Midland Group for 2019, 2020 and 2021, the Group has considered a variety of other different factors, including the following material ones:

- (a) *Property market and economic factors* – These factors are expected to carry direct or indirect impact on investment transactions in Hong Kong properties. They include the volatility of the property market in Hong Kong as evident from the publicly available information such as statistics from the Land Registry of the Government of Hong Kong; commentaries on the outlook of the global and local economic environmental conditions and market sentiments including possible increase of US interest rates in the near future and the possible increase of interests in borrowing costs of the mortgages in Hong Kong, property investors becoming more cautious when investing in property in Hong Kong; the effect of the Hong Kong Government's policy on the revitalisation and conversion of industrial

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buildings into offices, retails and hotels to facilitate redevelopment or en-bloc conversion of old industrial buildings; possible future increase of supply of properties; and other macroeconomic factors such as the expected stability of banks' assets quality, general demands for office properties from mainlanders and market sentiments, the conditions of retail and tourism in Hong Kong and the potential escalation in trade tensions between US and China in the future.

- (b) *Co-operation between the Group and Midland Group* – The Group estimates that the referral fees to Midland Group for the three years ending 31 December 2021 will maintain at a similar level.

3.4 The Group has in place the following procedures to ensure the New Annual Caps and the Revised Annual Cap are not exceeded:

- (a) The aggregate amount of referral fees to be paid or payable from or to Midland Group are updated on a monthly basis for appraising the latest unutilized amounts available under the annual caps for the relevant year.
- (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 annual caps for the relevant year. Finance department and frontline management are involved in the monitoring process.

3.5 The Directors (other than two independent non-executive Directors whose views and opinion are set out in the Letter from the Independent Board Committee of this circular) consider that the Cross Referral Services Agreement (2018) including the transactions thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group. They also consider that the terms of the Cross Referral Services Agreement (2018), the New Annual Caps, and the Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3.6 Midland Group is not an exclusive referrer/referee of the Group. The undertaking of the Cross Referral Services is an integral part of the principal activities of both of the Group and Midland Group. The Board believes that the Cross Referral Services Agreement (2018) encourages cooperation between both groups of companies to secure more business opportunities essential to their business growth.

LETTER FROM THE BOARD

4. LISTING RULES IMPLICATIONS

4.1 Midland is a substantial shareholder of the Company. As at the Latest Practicable Date, Midland, through its indirect wholly-owned subsidiary, Valuewit Assets Limited (“**Valuewit**”), was holding 610,976,997 issued Shares representing approximately 33.84% of all issued Shares. Therefore, the members of Midland Group are regarded as connected persons of the Company within the meaning of Chapter 14A of the Listing Rules. As in the case of the transactions under the Cross Referral Services Agreement (2015), the transactions under the Cross Referral Services Agreement (2018) between the Group and Midland Group constitute continuing connected transactions for the Company under the Listing Rules.

4.2 The highest applicable percentage ratio (other than the profits ratio), calculated using the highest of the New Annual Caps for each of the financial years ending 31 December 2019, 2020 and 2021 and the Revised Annual Cap as the numerator, exceeds 5%, and the requirements prescribed in Rule 14A.76(2) of the Listing Rules to qualify for exemption from the circular and the independent shareholders’ approval requirements are not met. The Company is therefore required to comply with the announcement and the independent shareholders’ approval requirements in Chapter 14A of the Listing Rules. As required by the Listing Rules, the ordinary resolutions to approve the Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap will be put to vote by the Independent Shareholders at the EGM.

4.3 Ms. WONG Ching Yi, Angela is an executive director of both of the Company and Midland. She is also daughter (and hence a family member) of Mr. WONG Kin Yip, Freddie, an executive director of Midland. Accordingly, Ms. WONG Ching Yi, Angela had abstained from voting on the resolutions of the Board in respect of the Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap.

Ms. TANG Mei Lai, Metty is an executive director of the Company. She is also the spouse (and hence a family member) of Mr. WONG Kin Yip, Freddie. Accordingly, Ms. TANG Mei Lai, Metty had also abstained from voting on the resolutions of the Board in respect of the Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap.

Mr. HO Kwan Tat, Ted is an independent non-executive director of both of the Company and Midland. He was appointed as an independent non-executive director of Midland on 28 June 2017. Mr. HO Kwan Tat, Ted is not a member of the Independent Board Committee and had abstained from voting on the resolutions of the Board in respect of the Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap.

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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 Monday, 3 December 2018 at 12:00 noon. At the EGM, the Independent Shareholders will be asked to consider and, if thought fit, pass the ordinary resolutions in the terms set out in the notice of EGM to approve the Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap. Votes on the resolutions will be taken by poll at the EGM as required by Rule 13.39(4) of the Listing Rules.
- 5.2** As Midland is regarded to have a material interest in the Cross Referral Services Agreement (2015) and the Cross Referral Services Agreement (2018), Midland and its subsidiaries (including Valuewit) will abstain from voting on all resolutions at the EGM in accordance with Chapter 14A of the Listing Rules. As at the Latest Practicable Date, Midland was holding indirectly, through its wholly-owned subsidiary, a total of 610,976,997 Shares (representing approximately 33.84% of the issued share capital of the Company). As at the Latest Practicable Date, Mr. WONG Kin Yip, Freddie was holding directly or indirectly (through his wholly-owned companies) (a) a total of 194,384,144 ordinary shares in Midland, representing approximately 27.07% of its issued share capital as at the Latest Practicable Date on the one hand; and (b) a total of 527,697,680 Shares, representing approximately 29.23% of the issued share capital of the Company on the other hand. As his interests held in the shares of Midland may constitute material interests for the purposes of the Listing Rules, Mr. WONG Kin Yip, Freddie and his relevant companies holding any Shares will also abstain from voting on the ordinary resolutions 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 of attorney or other 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 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 Thursday, 29 November 2018 to Monday, 3 December 2018, 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,

LETTER FROM THE BOARD

183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 28 November 2018.

6. OTHER INFORMATION

- 6.1** The Company is an investment holding company. The principal activities of the Group are the provision of property agency services in respect of commercial and industrial properties and shops, and property investment in Hong Kong.
- 6.2** The principal business activities of Midland Group are provision of property agency services in Hong Kong, Macau and the PRC.
- 6.3** Your attention is drawn to the advice and voting recommendation of the Independent Board Committee in its letter set out after this letter from the Board. It is immediately followed by the letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders in respect of the Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap.
- 6.4** Consistent with the voting recommendations from both of the Independent Board Committee and Octal Capital, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of EGM.
- 6.5** 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)

14 November 2018

To the Independent Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED CROSS REFERRAL SERVICES
AGREEMENT (2018), NEW ANNUAL CAPS AND
REVISED ANNUAL CAP
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company dated 14 November 2018 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 Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap. 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.

We have considered the principal factors and reasons considered by Octal Capital and its advice as set out in its letter. On such basis, it is our advice to you as the Independent Shareholders that the Cross Referral Services Agreement (2018) and the transactions thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group. We also consider that (a) the terms of the Cross Referral Services Agreement (2018) and the transactions thereunder; (b) the New Annual Caps; and (c) the Revised Annual

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Cap 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 resolutions as set out in the notice of EGM to approve them.

Yours faithfully,

For and on behalf of

Independent Board Committee

YING Wing Cheung, William

SHA Pau, Eric

Independent non-executive Directors

LETTER FROM OCTAL CAPITAL

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



Octal Capital Limited
801–805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

14 November 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS PROPOSED CROSS REFERRAL SERVICES AGREEMENT (2018), NEW ANNUAL CAPS AND REVISED ANNUAL CAP

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Cap, the Cross Referral Services Agreement (2018), the transactions contemplated thereunder and the New Annual Caps, details of which are contained in the circular issued by the Company to the Shareholders dated 14 November 2018 (the “**Circular**”), 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 announcements of the Company dated 16 December 2015 and 27 October 2016 and circulars of the Company dated 24 December 2015 and 4 November 2016 (the “**2016 Circular**”) 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 cap in relation to the maximum annual amounts of referral fees expected to be paid to Midland Group for the year ending 31 December 2018 would no longer be sufficient. On 25 October 2018, the Company made the announcement in relation to, among others, the revision of the existing annual cap. 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 33.84% of the issued share capital of the Company. Midland is therefore a substantial shareholder of the Company. The transactions contemplated under the Cross Referral Services Agreement (2015) with the Revised Annual Cap and the transactions contemplated under the Cross Referral Services Agreement (2018) 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

LETTER FROM OCTAL CAPITAL

and Ms. WONG Ching Yi, Angela are executive directors of the Company. Ms. WONG Ching Yi, Angela is also an executive director of Midland. One of the independent non-executive Directors, Mr. Ho Kwan Tat, Ted, is also an independent non-executive director of Midland. They had abstained from voting on the resolutions of the Board approving the Revised Annual Cap, the Cross Referral Services Agreement (2018), the transactions contemplated thereunder and the New Annual Caps.

The Independent Board Committee, comprising Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, being the independent non-executive Directors, has been formed to advise the Independent Shareholders the Revised Annual Cap, the Cross Referral Services Agreement (2018), the transactions contemplated thereunder and the New Annual Caps.

We are not connected with the directors, chief executive or substantial shareholders of the Company, the Group, 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. During the last two years, we were engaged as the independent financial adviser to the Company in respect of the continuing connected transactions in relation to proposed revised annual caps for the transactions under the Cross Referral Services Agreement (2015), details of such appointment is set out in the 2016 Circular. Apart from the normal professional fees paid to us in connection with the aforesaid appointment, 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

LETTER FROM OCTAL CAPITAL

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.

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 and property investment 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.

Since the Company expects that the existing annual cap in relation to the maximum annual amounts of referral fees expected to be paid to Midland Group for the year ending 31 December 2018 would no longer be sufficient, thus the Company considers to revise the existing annual cap for the year ending 31 December 2018. In addition, the Cross Referral Services Agreement (2015) will be expired on 31 December 2018, both parties intend to continue the transactions contemplated under the Cross Referral Services Agreement (2015). On 25 October 2018, the Company and Midland have entered into the Cross Referral Services Agreement (2018).

2. Key terms of the agreements

With reference to the Letter from the Board of the Circular, the Company is proposing to enter into the Cross Referral Services Agreement (2018) for the Transactions during the financial years from 1 January 2019 to 31 December 2021. It has incorporated the substantive provisions of the Cross Referral Services Agreement (2015). We have reviewed the terms of both the Cross Referral Services Agreement (2015) and the Cross Referral Services Agreement (2018) (the “**Agreements**”), and understand that the major terms of the Agreements are similar.

The material terms of the Agreements are as follows:

(i) Scope of services

Pursuant to the Agreements, (1) Midland Group shall have 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

LETTER FROM OCTAL CAPITAL

estate agency business in respect of industrial and commercial properties and shops in the Relevant Territory; and (2) similarly, the Group shall also have the right (but not obligation) to introduce, refer 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.

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.

(ii) Referral fees

With reference to Letter from the Board, the Agreements have provided reference ratios in which the commission income received in property transactions will be initially allocated between the respective parties to the transactions so as to arrive at the amount of referral fees. Different reference ratios are prescribed for the property transactions depending on whether the transactions are secondary market transactions or primary market transactions. The reference ratios 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%

The party who successfully finds a property purchaser in a primary property transaction shall act as the referor for the purposes of allocation of commission income. Based on the applicable reference ratios, the final allocation of commission income 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 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.

In any event, under the Agreements, the allocation of commission income shall be on normal commercial terms or better, that is, terms which a party could

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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 in determining the commission income allocations:

- (i) the commission income allocations proposed by individual estate agents are submitted to the branch managers for review and approval;
- (ii) 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;
- (iii) in determining whether an allocation of commission income in a particular transaction under the Cross Referral Services Agreement (2018) 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 under the Cross Referral Services Agreement (2018) 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;
- (iv) where no comparable transactions are available for proper consideration, the Group would assess the followings where relevant:
 - (a) 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

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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;

- (b) 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;
- (c) 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
- (d) 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;
- (v) 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; and
- (vi) the commission income allocations for the transactions under the Cross Referral Services Agreement (2018) made will be reviewed by the management from time to time. Annually, the transactions under the Cross Referral Services Agreement (2018) 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.

(iii) Settlement

With reference to Letter from the Board, referral 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.

In assessing whether there is reasonable basis for determining the commission income allocation, we have reviewed the past record of the commission income allocation between the Group and Midland Group for both the commission income paid/payable to and received/receivable from Midland Group for the year ended 31 December 2017 and the eight months ended 31 August 2018 and noted that the most common range of allocation of commission income to the party making the referral for primary market transactions fell in

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the range of 70% to 90%, while the most common allocation basis for secondary market transactions was 50:50. We also reviewed the past record of the commission income allocation between the Group and independent third parties for the year ended 31 December 2017 and the eight months ended 31 August 2018 and noted that approximately 64.8% of the primary market transactions for the commission income paid to the independent third parties fell in the range of 70% to 90%, and approximately 58.2% of the secondary market transactions for the commission income paid to the independent third parties were at the 50:50 basis during the period, representing the majority of commission allocation basis between the Group and independent third parties is comparable to those between the Group and the Midland Group. As such, we are of the view that the commission income allocation between the Group and Midland Group, in line with the previous cross referral services agreements entered into with Midland Group, is on normal commercial terms or better, that is, the 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.

For the year ended 31 December 2017 and the eight months ended 31 August 2018, approximately 4.2% and 9.8% of the transactions for the commission income paid to and received from Midland Group fell outside the most common range of allocation of commission income for primary market transactions respectively, while approximately 25.6% and 29.6% of the transactions for the commission income paid to and received from Midland Group fell outside the most common range of allocation of commission income for secondary market transactions respectively. For those transactions falling outside the reference commission income allocation ratio or the most common range of allocation of commission income as mentioned above, we discussed with the management of the Company and reviewed the past record for those transactions and noted that the main reason for the commission income paid to/received from Midland Group fell outside the most common range was that Midland Group have performed majority works. As advised by the management of the Company, the commission income splits were determined on the same practice with those transactions falling within the most common range of allocation of commission income which were, and will continue to be, negotiated between the parties on arm's length and case-by-case basis after taking into account (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.

As such, we consider that those transactions falling outside the most common range of allocation of commission income were in line with the Group's practice which was negotiated between the parties on arm's length and case-by-case basis after taking into account a number of factors as mentioned above in determining the commission income allocation.

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In respect of the settlement term, we have discussed with the management of the Company in relation to the payment terms and reviewed samples of past payment records of the referral fees from the Group and independent third parties for the eight months ended 31 August 2018. We note that the settlements between the Group and Midland Group for the eight months ended 31 August 2018 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. As such, we consider that the payment terms are fairly and reasonably determined.

Having considered that (i) the commission income allocation between the Group and Midland Group is comparable to those between the Group and independent third parties; (ii) transactions falling outside common range of allocation of commission income were in line with the Group's practice which was negotiated between the parties on arm's length and case-by-case basis mainly with reference to nature of properties and workload of agents; and (iii) the payment terms are similar to those in other referral transactions of the Group to or from independent third parties, we consider that the terms of the Agreements are on normal commercial terms or better and are fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

3. Revised Annual Cap and New Annual Caps

(a) Revised Annual Cap for the Cross Referral Services Agreement (2015)

The existing annual cap and the Revised Annual Cap of referral fees payable to Midland Group for the year ending 31 December 2018 are set out as follows:

	Year ending 31 December 2018 <i>(HK\$ million)</i>
Referral fees payable to Midland Group	
Existing annual cap	110.0
Revised Annual Cap	130.0

As set out in the Letter from the Board, the Board envisages that the existing annual cap for the year ending 31 December 2018 will not be sufficient and thus considers to revise the maximum aggregate annual value from HK\$110.0 million to HK\$130.0 million for the year ending 31 December 2018. Through our discussions with the management, we understand that the Revised Annual Cap is calculated after taking into account of (i) an unexpected growth of the referral fees paid/payable to Midland Group for the eight months ended 31 August 2018; and (ii) the expected referral fees paid/payable to Midland Group from September 2018 to December 2018 based on the recent average monthly referral fees paid/payable to Midland Group.

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We have reviewed the financial information provided by the Company that the referral fees paid/payable to Midland Group under the Cross Referral Agreement (2015). Set out below are the historical referral fees paid/payable to Midland Group for the two years ended 31 December 2017 and the eight months ended 31 August 2018:

	Year ended 31 December 2016 <i>(HK\$ million)</i>	Year ended 31 December 2017 <i>(HK\$ million)</i>	Eight months ended 31 August 2018 <i>(HK\$ million)</i>
Referral fees paid/payable to Midland Group in respect of industrial and commercial properties and shops	102.0	97.7	90.4

The referral fees paid/payable to Midland Group in respect of industrial and commercial properties and shops for the eight months ended 31 August 2018 accounted for approximately 92.5% of that for the year ended 31 December 2017. Upon our enquiries, the management of the Company advised us that the unexpected growth of the referral fees paid/payable to Midland Group during the eight months ended 31 August 2018 was primarily attributable to the transactions related to industrial and commercial properties being spinning off into several smaller property units (the “**Spin Off Properties**”). As the Spin Off Properties, which have been renovated with new floor plan so as to enhance the efficiency in the use of spaces, are generally smaller in size and less expensive than ordinary units, and thus provide a lower entry level for buyers. As advised by the management, the transaction of Spin Off Properties are mainly regarded as primary market transaction.

In connection with the above, we had discussion with the management and reviewed of the information about the transaction of Spin Off Properties including their individual agreements, breakdown table of referral fees paid/payable during the period and samples of past payment records for the relevant transactions, we understand that (i) the Spin Off Properties mainly located in Kwun Tong, Kwai Chung and Tsuen Wan; (ii) the transactions in relation to the Spin Off Properties have accounted for more than 35.8% of the referral fees paid/payable to Midland Group for the eight months ended 31 August 2018; and (iii) the average referral fee allocation ratios of the transactions in relation to the Spin Off Properties to Midland Group mainly fell into the range of reference ratios of primary market transactions.

Based on the amount of referral fees recorded for the eight months ended 31 August 2018, the Revised Annual Cap for the referral fees paid/payable to Midland Group in respect of industrial and commercial properties and shops for the year ending 31 December 2018 is estimated to be approximately HK\$130.0 million. As advised by the management of the Company, the Revised Annual Cap

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was based on the actual amount for the eight months ended 31 August 2018 and the expected referral fees paid/payable to Midland Group from September 2018 to December 2018 based on the average monthly referral fees paid/payable to Midland Group for July and August of 2018. The management of the Company are of the view that the actual amount of referral fee paid/payable to Midland Group for July and August 2018 are reflecting the current market situation and the transaction between the Group and Midland Group will be maintained in similar level from September to December 2018. We have discussed with the management of the Group and reviewed the past record of the referral fees paid/payable to Midland Group and noted that (i) the actual amount for the eight months ended 31 August 2018 amounted to approximately HK\$90.4 million; and (ii) the forecasted monthly amount of approximately HK\$10.0 million during the four months from September to December 2018 being determined by the average amount for July and August 2018 of approximately HK\$6.8 million and HK\$10.2 million respectively. Based on our further discussion with the management and recent statistic obtained from the Company, we understand that the referral fees paid/payable to Midland Group relating to the Spin Off Properties in September 2018 was approximately HK\$1.8 million, in which such amount was less than the average monthly referral fees paid/payable to Midland Group amounted to approximately HK\$4.1 million for the eight months ended 31 August 2018. We also understand that the timeframe for the developers to engage the Group to promote the relevant Spin Off Properties is relatively short and the Group is unable to estimate the possibility of completing the Spin Off Properties transactions on hand, the Group considered that the future Spin Off Properties transactions in terms of volume and amount are uncertain. Therefore, the Revised Annual Cap has made reference to (i) the actual amount of referral fee paid/payable for the eight months ended 31 August 2018, including the historical Spin Off Properties transactions; and (ii) the forecasted monthly amount during the four months ending 31 December 2018 being determined by the recent monthly amount of referral fee paid/payable to Midland Group but without the future trend of Spin Off Properties transactions.

Having considered that (i) the unexpected growth of the referral fees paid/payable to Midland Group for the eight months ended 31 August 2018 was mainly attributable to the transactions for Spin Off Properties; and (ii) the Revised Annual Cap has also taken into account the past monthly record of the referral fees paid/payable to Midland Group, we are of the view that the Revised Annual Cap for the year ending 31 December 2018 are fair and reasonable.

However, as the Revised Annual Cap 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 correspond with the Revised Annual Cap.

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(b) *New Annual Caps*

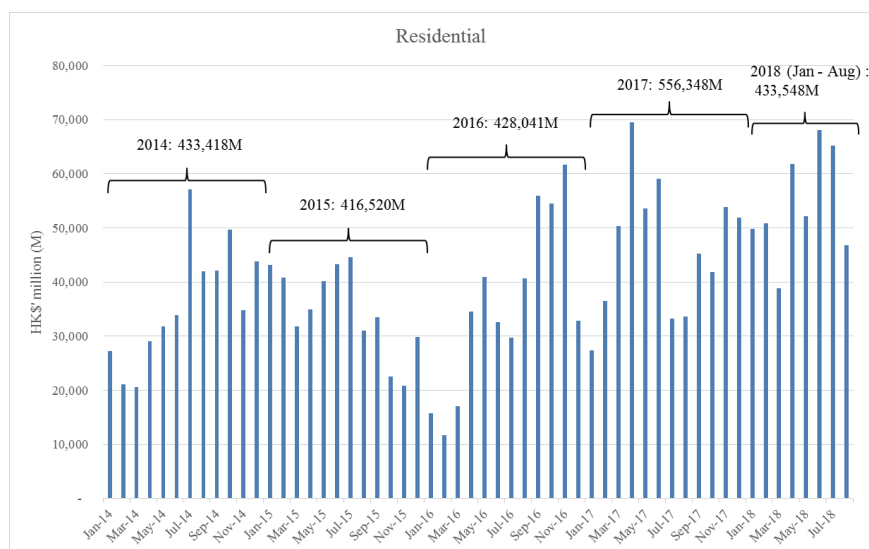
The New Annual Caps for the transactions contemplated under the Cross Referral Services Agreement (2018) are set out as follows:

	Year ending 31 December 2019 <i>(HK\$ million)</i>	Year ending 31 December 2020 <i>(HK\$ million)</i>	Year ending 31 December 2021 <i>(HK\$ million)</i>
Referral fees payable to Midland Group			
New Annual Caps	145.0	145.0	145.0
Referral fees receivable from Midland Group			
New Annual Caps	50.0	50.0	50.0

With reference to the Letter from the Board, we understand that the Company has taken into account the market commentaries which include those referring to, among other things, macroeconomic factors and the co-operation between the Group and Midland Group to determine the New Annual Caps. In assessing the fairness and reasonableness of the New Annual Caps, we have reviewed the factors of the property market fluctuations and the co-operation between the Group and Midland Group.

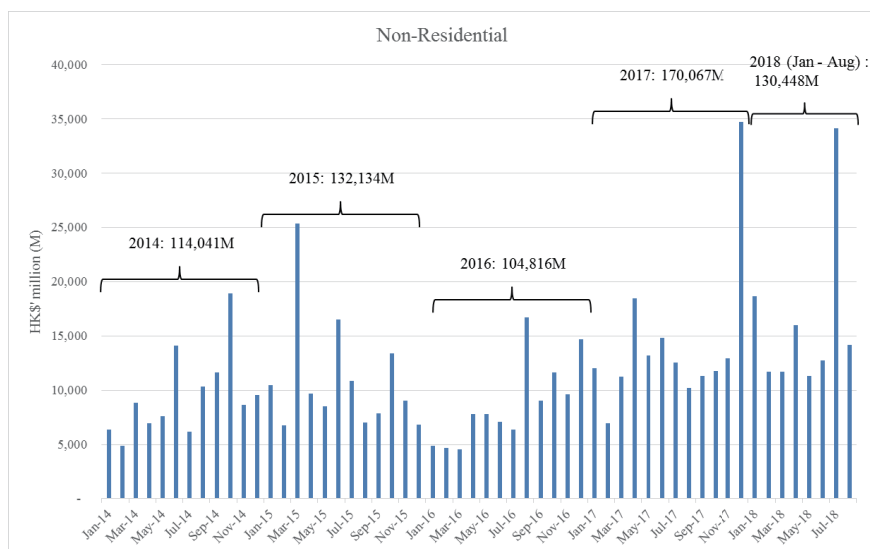
(i) *Property market fluctuation factors*

In respect of the historical performance of 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 (residential and non-residential) since January 2014 to August 2018:



Source: Land Registry of the Government of Hong Kong

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Source: Land Registry of the Government of Hong Kong

As noted from the above chart, the performance of property market in Hong Kong has fluctuated over the past few years. For residential properties, the year to year fluctuations of the amount of consideration of sale and purchase agreements of building units varied from a decrease of approximately 3.9% in the year ended 31 December 2015 to an increase of approximately 30.0% in the year ended 31 December 2017. For non-residential properties, the year to year fluctuations of the amount of consideration of sale and purchase agreements of building units varied from a decrease of approximately 20.7% in the year ended 31 December 2016 to an increase of approximately 62.3% in the year ended 31 December 2017. We note that the annualized figure of residential and non-residential for the year ending 31 December 2018, based on the actual figure up to August 2018, expect to exceed the total in 2017. 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, market sentiment and government policies.

According to the press release of the US Federal Reserve on 26 September 2018, the Federal Open Market Committee after considered the sustained expansion of economic activity, strong labor market conditions and the inflation in the United States (the “US”), has decided to raise the interest rate by 0.25%. Being 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 Hong Kong. Following the increment of US interest rate, most of the Hong Kong financial institutions have recently announced to increase the Hong Kong dollar prime rate by ranging from 0.125% to 0.25%. The increment of Hong Kong

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dollar prime rate increased the borrowing cost of the mortgage which property investors will be more cautious when investing in property in Hong Kong.

In addition, economic factor in Hong Kong is also one of the factors of the property market fluctuations. According to the announcement published by Moody's Investor Service ("**Moody's**") on 3 September 2018, Moody's considered that the outlook for Hong Kong's banking system remains stable, as steady economic growth will support the banks' asset quality. Asset quality will be stable due to the relatively benign economic outlook, and debt repayment burdens for corporates and individuals will remain manageable despite the gradual increase in market interest rates. However, the potential escalation in trade tensions between the US and China, may bring uncertainty to the economic environment and property market in Hong Kong.

According to a research report by Jones Lang LaSalle, the vacancy rate for grade A offices in Hong Kong was only 4.2% by the end of August 2018, and in Central as low as 1.5 %. There was over 300,000 square feet of grade A offices completed during 2018, increased the supply of the grade A offices in Hong Kong.

The industrial sector was stimulated by the revitalisation of industrial buildings (the "**Revitalisation**") launched by Development Bureau of Hong Kong in 2010, which aims to facilitate redevelopment or en-bloc 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 quarterly report in relation to the Revitalisation published by the Land Department, as at end of June 2018, the Lands Department has approved 127 out of 248 applications under the Revitalisation, while remaining applications are in the review process. Among the approved applications, most of the buildings have been approved to revitalised into spaces for offices, retails and hotels. Hence, the supply of the new units for non-residential purpose is expected to increase in the coming years.

For the commercial market in Hong Kong, it is mainly affected by the retail and tourism in Hong Kong. According to the latest data from the Census and Statistics Department Hong Kong ("**CSDHK**"), the number of visitor arrivals to Hong Kong approximately 58,472,000 in 2017, representing an increase of approximately 3.2% as compared to that in 2016. The High Speed Rail (HK Section) launched on 23 September 2018.

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On the other hand, we have also reviewed the Hong Kong Property Review 2018 (the “**Property Review 2018**”) published by Rating and Valuation Department in April of 2018. The actual and forecast completions for residential and non-residential properties for the year ended 2017 and the two years ending 2019 are set out below respectively:

Year	Actual 2017	Forecast 2018	2019
<u>Residential</u>			
Domestic			
Completions units	17,791	18,130	20,371
% change	N/A	1.9%	12.4%
<u>Non-residential</u>			
Office			
Completion Floor Area (’000m ²)	198	181	252
% change	N/A	–8.6%	39.2%
Commercial			
Completion Floor Area (’000m ²)	105	169	104
% change	N/A	61.0%	–38.5%
Industrial			
Completion Floor Area (’000m ²)	23	79	34
% change	N/A	243.5%	–57.0%

As illustrated in the above table, the forecast completion unit of domestic are generally in an increasing trend, while the forecast completion floor area of office, commercial and industrial are fluctuating for the two years ending 2019. According to the Property Review 2018, the forecast have been taken into account (i) the number of known development and redevelopment sites; (ii) the numbers of planned site put out by the Government; (iii) the information derived from Buildings Department returns; and (iv) the professional estimation.

Having taken into account the above factors, 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 residential property and the non-residential property markets to allow for flexibility to capture business opportunities. We consider that the basis in determining the New Annual Caps are reasonable.

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(ii) The co-operation between the Group and Midland Group

We have considered the basis of management's expectation on the degree of co-operation between the Group and Midland Group. We have reviewed the information provided by the Company that the referral fees paid/payable to and received/receivable from Midland Group under the Cross Referral Agreement (2015). Set out below summarised the historical referral fees:

	Year ended 31 December 2015 <i>(HK\$ million)</i>	Year ended 31 December 2016 <i>(HK\$ million)</i>	Year ended 31 December 2017 <i>(HK\$ million)</i>
Referral fees			
paid/payable to Midland Group in respect of industrial and commercial properties and shops	74.6	102.0	97.7
Year-on-year growth rate		36.7%	-4.2%
Compound annual growth rate ("CAGR") from 2015 to 2017			14.4%

As shown in the above table, we noted that the referral fees paid/payable to Midland Group in respect of industrial and commercial properties and shops grew rapidly. The CAGR from 2015 to 2017 for the referral fees paid/payable to Midland Group was 14.4% which is close to the growth rate of 10% on the Revised Annual Cap applied by the management of the Company but without specifically taking into account the Spin Off Properties transactions in determining the New Annual Caps of referral fees expected to be paid to Midland Group. The management considers that the referral fee to Midland Group for the three years ending 31 December 2021 will maintain at a similar level after having considered the property market fluctuation factors as described above.

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	Year ended 31 December 2015 <i>(HK\$ million)</i>	Year ended 31 December 2016 <i>(HK\$ million)</i>	Year ended 31 December 2017 <i>(HK\$ million)</i>
Referral fees received/receivable from Midland Group in respect of residential properties	26.4	26.2	34.6
Year-on-year growth rate		-0.8%	32.1%
CAGR from 2015 to 2017			14.5%

As shown in the above table, we noted that the referral fees received/receivable from Midland Group in respect of residential properties increased in 2017. The CAGR from 2015 to 2017 for the referral fees received/receivable from Midland Group was 14.5%. Taking into account the fluctuation of the residential properties market, the management of the Company considers that the referral fee from Midland Group will maintain at a similar level as in 2017, thus, no growth would be applied to the New Annual Caps of referral fees expected to be received from Midland Group for the three years ending 31 December 2021.

Given the above and in particular that the New Annual Caps (i) are determined to allow for flexibility to capture business opportunities after taking account into the historical property market fluctuations and overall performance of the residential and non-residential property markets; and (ii) are estimated based on the historical trend of degree of co-operation between the Group and Midland Group, we concur with the Directors' view that the New Annual Caps for the three years ending 31 December 2021 are fair and reasonable.

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 (2018), consequently, we express no opinion as to how closely the actual amounts correspond with the New Annual Caps.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of Agreements are (i) on normal commercial terms; and (ii) in the ordinary and usual course of business of the Group, and the Revised Annual Cap, the Cross Referral Services Agreement (2018), the transactions contemplated thereunder and the New Annual Caps are fair and reasonable and in the interest of the Company and the Independent Shareholders as

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a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions at the EGM to approve the Cross Referral Services Agreement (2018), the Revised Annual Cap and the New Annual Caps.

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Celina Yuen

Managing Director

Associate 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 23 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. Ms. Celina Yuen has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2016. Ms. Yuen has more than 9 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/ Holding capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued voting shares of the Company
Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	527,697,680 <i>(Note 1)</i>	434,782,608 <i>(Note 2)</i>	962,480,288	53.31%
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	2,000,000	1,500,000 <i>(Note 3)</i>	3,500,000	0.19%
Mr. YING Wing Cheung, William	Personal interest/ Beneficial owner	300,000	–	300,000	0.02%

Notes:

1. Part of these shares was held directly, and the rest of these shares was held indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as ultimate beneficial owner.
2. Such interests in underlying shares (being unlisted physically settled derivatives) represent 434,782,608 shares to be issued to Wealth Builder Holdings Limited, a company indirectly wholly owned by Mr. WONG Kin Yip, Freddie, upon exercise in full of the conversion right attached to the convertible note due 2021 in principal amount of HK\$200 million at conversion price at HK\$0.46 per share issued by the Company pursuant to an acquisition agreement dated 10 January 2017.
3. 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.

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- (b) 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.
- (c) Ms. WONG Ching Yi, Angela, an executive director of the Company, is also a director of Midland and Valuewit, being companies which had an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

2.2 Other interests

- (a) (i) A tenancy agreement was made on 1 May 2018 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company directly wholly owned by an associate of Ms. TANG Mei Lai, Metty, an Executive Director of the Company and Ms. WONG Ching Yi, Angela, an Executive Director of the Company, as landlord whereby the landlord agreed to let the premises located at Nos. 11–17, 7th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Kowloon as office for the real estate agency business of the Group for a term of one year commencing from 1 May 2018 to 30 April 2019 at a monthly rental of HK\$235,000.
- (ii) A licence agreement was made on 23 October 2017 between Crown Lucky Investment Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner Investment Limited, a company indirectly wholly owned by an associate of Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela, as licensor whereby a licence was granted 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 for marketing and promotion of the real estate agency business of the Group for a term of two years commencing from 1 November 2017 to 31 October 2019 at a monthly licence fee of HK\$87,000.

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- (iii) A tenancy agreement was made on 8 March 2018 between Teamway Group Limited, an indirect wholly-owned subsidiary of the Company, as landlord and City First Limited, an indirect wholly-owned subsidiary of Midland, as tenant whereby the landlord agreed to lease the premises located at the whole of 21st Floor, Ford Glory Plaza, No. 37 Wing Hong Street, Kowloon, Hong Kong as a back office of Midland for generating secured steady income to the Group for a term of two years commencing from 19 March 2018 to 18 March 2020 at a monthly rental of HK\$207,000 without rent-free period and option to renew. Ms. WONG Ching Yi, Angela, an executive director of the Company, is also a director of Midland.
 - (iv) On 21 September 2018, Ruby Hill Ventures Limited (“Vendor”), a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Ms. Wong Ching Yi, Angela for the sale and purchase of 5% of the equity interest in Powerful Surge Group Limited (a wholly-owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of the Company) and 5% of the debts owed to the Vendor by Powerful Surge Group Limited and/or any of its subsidiaries. The sale and purchase was completed on 3 October 2018. (For details, please refer to the announcements dated 21 September 2018 and 3 October 2018).
- (b) Save as disclosed above in this section:
- (i) none of the Directors was materially interested in any 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 2017 (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 (2018) nor the transactions thereunder.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

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4. COMPETING INTERESTS

As at the Latest Practicable Date, the interests of the Directors and their respective close associates in businesses which compete or are likely to compete, directly or indirectly, with the businesses of the Group were as follows:

Ms. TANG Mei Lai, Metty had deemed interests in Midland Group as she is the spouse of Mr. WONG Kin Yip, Freddie who directly and indirectly holds (i) 194,384,144 shares (representing approximately 27.07% of the issued share capital); and (ii) 7,209,160 underlying shares (representing the share option of approximately 1.00% of the issued share capital) in Midland.

Ms. WONG Ching Yi, Angela held directorships in Midland Group and she holds 7,209,160 underlying shares (representing the share option of approximately 1.00% of the issued share capital) in Midland.

Mr. HO Kwan Tat, Ted is an independent non-executive director of Midland.

Midland Group also engaged in the business of real estate agency and surveying as the Group.

As the Board is independent of the board of directors of Midland and none of the above Directors can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the business of Midland 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 2017, 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 Cross Referral Services Agreement (2018), the New Annual Caps and the Revised Annual Cap.

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, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to

GENERAL INFORMATION

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 2017, 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 each of the following contracts 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:

- the Cross Referral Services Agreement (2015)
- the Cross Referral Services Agreement (2018)

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 Monday, 3 December 2018 at 12:00 noon for the purpose of considering and, if thought fit, passing, with or without amendment, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT the Cross Referral Services Agreement (2018) (as defined in the circular of the Company dated 14 November 2018 issued in respect thereof (“Circular”)) between the Company and Midland Holdings Limited, a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification, the transactions thereunder and the New Annual Caps (as defined in the Circular) be and are hereby approved; and the execution of the Cross Referral Services Agreement (2018) and any other agreements and documents and the actions taken or to be taken in connection therewith by any director of the Company (“Director”) be and are hereby approved, confirmed and ratified; and any Director(s) be and is/are hereby authorised to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal, or make such arrangement as he/she/they may determine to be appropriate, necessary or desirable to give effect to or in connection with the Cross Referral Services Agreement (2018), the transactions thereunder and the New Annual Caps and, subject to and in accordance with the applicable laws and regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating thereto in the interests of the Company and its shareholders as a whole.”
2. “THAT the Revised Annual Cap (as defined in the Circular of the Company dated 14 November 2018) be and is 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, 14 November 2018

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

*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 resolutions 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 (the “Stock Exchange”) (the “Listing Rules”) and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
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 (ordinary share(s) in the share capital of the Company)) more than one proxies to attend and vote in his stead. A proxy need not be a member of the Company. The proxy will also be entitled to vote at his discretion or to abstain from voting on any resolution properly put to the Meeting other than those referred to in the notice convening the Meeting.
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 stated thereon.
4. To be valid, 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. Completion and return 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 holders of any share any one of such joint holder may vote, 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 be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding. Several executors or administrators of a deceased member of the Company in whose name any share stands shall be deemed joint holders thereof in accordance with the articles of the Company.
6. The register of members of the Company will be closed from Thursday, 29 November 2018 to Monday, 3 December 2018, 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 Wednesday, 28 November 2018.