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Midland IC&I Limited

美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

**MAJOR TRANSACTION
IN RELATION TO
THE ACQUISITIONS OF
THE TARGET COMPANIES AND THE PROPERTIES**

THE ACQUISITIONS

The Board is pleased to announce that on 28 November 2017, the Target Companies Purchasers and the Properties Purchasers, all of which are wholly-owned subsidiaries of the Company, and the Target Companies Sellers and the Properties Sellers have entered into the Target Companies Acquisition Agreements and the Properties Acquisition Agreements respectively. Pursuant to the Target Companies Acquisition Agreements, the Target Companies Purchasers have conditionally agreed to acquire and the Target Companies Sellers have conditionally agreed to sell the entire issued shares (and including the assignment of the Sale Debt) of the Target Companies. Pursuant to the Properties Acquisition Agreements, the Properties Purchasers have conditionally agreed to acquire and the Properties Sellers have conditionally agreed to sell the Properties.

The principal assets of the Target Companies are the property interests in 6th and 8th floors of LMK Development Estate. The Properties consist of 5th, 7th and 12th floors and three car parking spaces of LMK Development Estate.

The aggregate consideration for the Acquisitions is agreed at HK\$196.0 million (subject to Cash Adjustment), which will be settled in cash by stages.

* For identification purpose only

LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions exceed 25% but all of them are less than 100%, the Acquisitions constitute a major transaction for the Company and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DESPATCH OF CIRCULAR

The Company will despatch a circular containing, among other things, further details of the Acquisitions, accountants' reports on the Target Companies and property valuation report on the Entire Properties and other information as required to be contained in the circular under the Listing Rules to the Shareholders. The circular together with a notice of the EGM and a form of proxy are expected to be despatched on or before 26 January 2018 as additional time is required for the preparation of the financial information on the Target Companies and the property valuation report on the Entire Properties.

WARNING

Completion of the Acquisitions is subject to the satisfaction and/or waiver of the conditions precedent under the Properties Acquisition Agreements and the Target Companies Acquisition Agreements and therefore, may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

(A) INTRODUCTION

The Board is pleased to announce that on 28 November 2017, the Target Companies Purchasers and the Properties Purchasers, all of which are wholly-owned subsidiaries of the Company, and the Target Companies Sellers and the Properties Sellers have entered into the Target Companies Acquisition Agreements and the Properties Acquisition Agreements respectively. Pursuant to the Target Companies Acquisition Agreements, the Target Companies Purchasers have conditionally agreed to acquire and the Target Companies Sellers have conditionally agreed to sell the entire issued shares (and including the assignment of the Sale Debt) of the Target Companies. Pursuant to the Properties Acquisition Agreements, the Properties Purchasers have conditionally agreed to acquire and the Properties Sellers have conditionally agreed to sell the Properties.

(B) THE ACQUISITIONS

The Target Companies Acquisition Agreements

Date: 28 November 2017

Parties: (i) the Target Companies Purchasers;
(ii) the Target Companies Sellers; and
(iii) the Agent.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target Companies Sellers, their respective ultimate beneficial owners and their respective Associates were independent third parties of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

Assets to be acquired

Pursuant to the Target Companies Acquisition Agreements, the Target Companies Purchasers have conditionally agreed to acquire and the Target Companies Sellers have conditionally agreed to sell the entire issued shares of the Target Companies. The Target Companies Purchasers further agreed to take up an assignment of the right to all debts owing by the Target Companies to the Target Companies Sellers and their respective associates (if any) as at the Completion Date. The principal assets of the Target Companies are the Property Interests.

Pursuant to the Target Companies Acquisition Agreements, the Target Companies Purchasers and the Target Companies Sellers will enter into formal agreements reflecting the terms and conditions of the Target Companies Acquisition Agreements for the acquisitions of the Target Companies on or before 12 December 2017. Prior to the entering into of such formal agreements or in the event the parties fail to enter into the formal agreements, the Target Companies Acquisition Agreements shall remain valid and of full force and effect.

Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company.

The Target Companies Consideration

The Target Companies Consideration is agreed at HK\$75.20 million, subject to the Cash Adjustment. The Target Companies Consideration was agreed after arm's length negotiation between the Target Companies Purchasers and the Target Companies Sellers having taken into account, among others, (i) the prevailing market conditions and the estimated market value of the Property Interests; and (ii) the prospects of the Property Interests.

The Target Companies Consideration will be settled in cash by stages with: (i) HK\$3.76 million upon the signing of the Target Companies Acquisition Agreements; (ii) HK\$3.76 million on or before 12 December 2017; and (iii) the remaining balance of HK\$67.68 million plus the Cash Adjustment (if applicable) upon Completion, which shall take place on or before 16 March 2018.

The Cash Adjustment

The Target Companies Consideration will be adjusted if the net tangible asset value as at the Completion Date is positive or negative respectively. The net tangible asset value is equivalent to the aggregate of all tangible assets of the relevant Target Companies which are readily convertible into cash or cash equivalents (excluding the relevant Property Interests, any intangible assets and other fixed assets and deferred tax), less the aggregate of all liabilities (actual, contingent or otherwise but excluding the Sale Debt) and provisions of the relevant Target Companies as at the Completion Date.

In such circumstances, the Target Companies Consideration will be adjusted by (i) adding all current tangible assets of the relevant Target Companies including rentals receivable (if applicable) (up to and inclusive of the Completion Date), utilities and other miscellaneous deposits, prepaid rates and government rent, and other expenses relating to the Property Interests (up to but exclusive of the Completion Date); and (ii) deducting all liabilities of the relevant Target Companies (other than the Sale Debt).

Conditions precedent

Completion is subject to the following conditions being satisfied:

- (i) the Target Companies Purchasers having completed their due diligence review on the business, financial, legal and other aspects of the Target Companies and satisfied with the results thereof;
- (ii) the Target Companies Sellers having procured the Target Companies to give and prove titles to the Property Interests in accordance with Sections 13A and 13 of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong) respectively;
- (iii) obtaining the approval from the Shareholders on the Target Companies Acquisition Agreements and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (iv) Completion of each of the Target Companies Acquisition Agreements shall take place simultaneously with completions of the other Target Companies Acquisition Agreements and the Properties Acquisition Agreements.

Condition precedent (ii) above is capable of waiver by the relevant Target Companies Purchasers.

In the event that the relevant Target Companies Purchaser(s) is/are not satisfied with the due diligence results of the relevant Target Companies, the relevant Target Companies Purchaser(s) has/have the options to elect to enter into sale and purchase agreement(s) with the relevant Target Companies to directly acquire the relevant Property Interests from the relevant Target Companies at the same consideration and payment terms as contemplated under the relevant Target Companies Acquisition Agreements.

Payments of the Compensation and the Expenses and refund of deposits

- (i) In the event that condition precedent (iii) above is not fulfilled on or before 26 February 2018, the Target Companies Acquisition Agreements shall be terminated. Upon such termination, (A) the Purchasers shall pay the Expenses to the Sellers; and (B) on the condition that the non-fulfillment of condition precedent (iii) above is not due to the failure and/or delay by any of the Sellers to provide the Information and Documents, the Purchasers shall further pay the Compensation to the Sellers; and (C) upon demand by the Target Companies Purchasers, the Target Companies Sellers shall return (without interests) all the deposits received by the Target Companies Sellers to the Target Companies Purchasers after deducting the Expenses and the Compensation, if applicable, or any part thereof.
- (ii) In the event that condition precedent (ii) above is not fulfilled or waived by the relevant Target Companies Purchasers, the Target Companies Purchasers shall be entitled to terminate the Target Companies Acquisition Agreements and the Target Companies Sellers shall return all the deposits (without interests) to the Target Companies Purchasers.
- (iii) In the event that condition precedent (i) above is not fulfilled, the Target Companies Purchasers shall be entitled to terminate the Target Companies Acquisition Agreements and, if the relevant Target Companies Purchasers not elect to directly acquire the relevant Property Interests, then the Purchasers shall pay the Expenses to the Sellers and the Target Companies Sellers shall, upon demand by the Target Companies Purchasers, return all the deposits received by the Target Companies Sellers (without interests) to the Target Companies Purchasers after deducting the Expenses.
- (iv) Subject to paragraph (v) below, in the event that condition precedent (iv) above is not fulfilled, the Target Companies Acquisition Agreements shall be terminated. Upon such termination, the Purchasers shall pay the Expenses to the Sellers and the Target Companies Sellers shall, upon demand by the Target Companies Purchasers, return all the deposits received by the Target Companies Sellers (without interests) to the Target Companies Purchasers after deducting the Expenses.
- (v) If (A) any of the Sellers fail (other than due to the default of any of the Purchasers) to complete the Acquisitions, then all deposits paid shall be returned to the Target Companies Purchasers and a sum equivalent to the deposits shall be paid by the Target Companies Sellers to the Target Companies Purchasers as compensation; or (B) any of the Purchasers fail (other than due to the default of any of the Sellers) to complete the Acquisitions, then all deposits paid by the Target Companies Purchasers shall be forfeited.

Completion

Completion of each of the Target Companies Acquisition Agreements shall take place simultaneously with completions of the other Target Companies Acquisition Agreements and the Properties Acquisition Agreements. Completion shall take place on or before 16 March 2018.

Tenancy agreement in respect of the entire 8th floor of the LMK Development Estate

Upon Completion, the relevant Target Companies Sellers shall procure its nominee and the relevant Target Companies Purchasers shall procure the Target Company B to enter into a tenancy agreement, pursuant to which the Target Company B shall let and such nominee of the relevant Target Companies Sellers shall rent the entire 8th floor of LMK Development Estate at a monthly rental of HK\$151,102 (inclusive of government rent, rates and management fee) for a term of 24 calendar months commencing from the Completion Date.

The Properties Acquisition Agreements

Date: 28 November 2017

Parties: (i) the Properties Purchasers;
(ii) the Properties Sellers; and
(iii) the Agent.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Properties Sellers, their respective ultimate beneficial owners and their respective Associates were independent third parties of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

Assets to be acquired

Pursuant to the Properties Acquisition Agreements, the Properties Purchasers have conditionally agreed to acquire and the Properties Sellers have conditionally agreed to sell the interest in the Properties. The Properties consist of 5th, 7th and 12th floors and three car parking spaces of LMK Development Estate.

The Properties Consideration

The Properties Consideration is agreed at HK\$120.80 million, which was agreed after arm's length negotiation between the Properties Purchasers and the Properties Sellers having taken into account, among others, (i) the prevailing market conditions and the estimated market value of the Properties; and (ii) the prospects of the Properties.

The Properties Consideration will be settled in cash by stages with: (i) HK\$6.09 million upon the signing of the Properties Acquisition Agreements; (ii) HK\$5.99 million on or before 12 December 2017; and (iii) the balance of HK\$108.72 million upon Completion, which shall take place on or before 16 March 2018.

Conditions precedent

Completion is subject to the following conditions being satisfied:

- (i) obtaining the approval from the Shareholders on the Properties Acquisition Agreements and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (ii) Completion of each of the Properties Acquisition Agreements shall take place simultaneously with completions of the other Properties Acquisition Agreements and the Target Companies Acquisition Agreements.

None of the conditions precedent above is capable of waiver.

Payments of the Compensation and the Expenses and refund of deposits

- (i) In the event that condition precedent (i) above is not fulfilled on or before 26 February 2018, the Properties Acquisition Agreements shall be terminated. Upon such termination, (A) the Purchasers shall pay the Expenses to the Sellers; and (B) on the condition that the non-fulfillment of condition precedent (i) above is not due to the failure and/or delay by any of the Sellers to provide the Information and Documents, the Purchasers shall further pay the Compensation to the Sellers; and (C) upon demand by the Properties Purchasers, the Properties Sellers shall return (without interests) all the deposits received by the Properties Sellers to the Properties Purchasers after deducting the Expenses and the Compensation, if applicable, or any part thereof.
- (ii) Subject to paragraph (iii) below, in the event that condition precedent (ii) above is not fulfilled, the Properties Acquisition Agreements shall be terminated. Upon such termination, the Purchasers shall pay the Expenses to the Sellers and the Properties Sellers shall, upon demand by the Properties Purchasers, return all the deposits received by the Properties Sellers (without interests) to the Properties Purchasers after deducting the Expenses.
- (iii) If (A) any of the Sellers fail (other than due to the default of any of the Purchasers) to complete the Acquisitions, then all deposits paid shall be returned to the Properties Purchasers and a sum equivalent to the deposits shall be paid by the Properties Sellers to the Properties Purchasers as compensation; or (B) any of the Purchasers fail (other than due to the default of any of the Sellers) to complete the Acquisitions, then all deposits paid by the Properties Purchasers shall be forfeited.

For the avoidance of doubt, the payments of the Compensation and the Expenses, if any, by the Purchasers as mentioned in the paragraph headed “Payments of the Compensation and the Expenses and refund of deposits” in relation to the Target Companies Acquisition Agreements and this paragraph are the same payments and therefore the sum of the Compensation and the Expenses, if any, payable by the Purchasers under the Target Companies Acquisition Agreements and the Properties Acquisition Agreements, in aggregate, will be HK\$2,000,000 and HK\$200,000 respectively.

Completion

Completion of each of the Properties Acquisition Agreements shall take place simultaneously with the completions of the other Properties Acquisition Agreements and the Target Companies Acquisition Agreements. Completion shall take place on or before 16 March 2018.

Tenancy agreement in respect of the three car parking spaces of the LMK Development Estate

Upon Completion, the relevant Properties Purchasers as landlord shall enter into a tenancy agreement with the nominee of the relevant Properties Sellers, pursuant to which the relevant Properties Purchasers shall let and such nominee of the relevant Properties Sellers shall rent the three car parking spaces of LMK Development Estate at an aggregate monthly rental of HK\$12,000 (inclusive of government rent, rates and management fee) for a term of 24 calendar months commencing from the Completion Date.

(C) INFORMATION ON THE TARGET COMPANIES AND THE ENTIRE PROPERTIES

Information on the Target Companies

The Target Companies are property investment companies incorporated in Hong Kong with limited liability. The principal assets of the Target Companies are the Property Interests.

Financial information of the Target Companies

Set out below is the financial information extracted from the financial statements of the Target Company A for the years ended 31 March 2017 and 2016 as provided by the relevant Target Companies Sellers:

	For the year ended 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit before tax	170	174
Net profit after tax	151	174
		As at 31 March 2017
		<i>HK\$'000</i>
Net liabilities attributable to shareholders of the Target Company A		75

Set out below is the financial information extracted from the financial statements of the Target Company B for the years ended 31 March 2017 and 2016 as provided by the relevant Target Companies Sellers:

	For the year ended 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before tax	1,221	633
Net loss after tax	1,221	661
		As at 31 March 2017
		<i>HK\$'000</i>
Net liabilities attributable to shareholders of the Target Company B		5,693

Information on the Entire Properties

The Entire Properties consist of 5th, 6th, 7th, 8th and 12th floors and three car parking spaces of LMK Development Estate. The saleable area of the Entire Properties (excluding the three car parking spaces) is approximately 50,600 sq. ft. (subject to property valuation report). 5th, 6th, 7th and 12th floors are currently occupied by independent third parties, 8th floor is currently occupied by related company of Target Company B and the three car parking spaces are currently for self-use. It is intended that the Entire Properties will be leased out for rental income.

(D) REASONS FOR AND BENEFITS OF THE ACQUISITIONS

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

After decades of involvement in the Hong Kong property market, the Group has accumulated significant experience in industrial, commercial and retail sectors of the property industry. By leveraging its in-depth knowledge of the local property market, the Group has also participated directly in the market by acquiring and letting out properties for rental income in recent years. In March 2017, the Company completed the acquisition of an en-bloc building in Nos. 33 and 35 Java Road, Hong Kong and the property is expected to be used as serviced apartments and shops in the second half of 2017.

The Acquisitions are in line with the Group's strategy of exploring new business opportunities and represent an expansion of the Group's existing property investment business following the acquisition of the en-bloc building in Nos. 33 and 35 Java Road. It is expected that the Entire Properties will be let out for rental income and will provide an additional and stable rental income to the Group. The Acquisitions allow the Company to further broaden the income source and avoid reliance on its volatile agency fee income and allow the Group to enjoy the possible capital appreciation of the Entire Properties.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Target Companies Acquisition Agreements and the Properties Acquisition Agreements is in the ordinary and usual course of business of the Group and the Acquisitions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(E) LISTING RULES IMPLICATIONS

Listing Rules implications

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions exceed 25% but all of them are less than 100%, the Acquisitions constitute a major transaction for the Company and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Despatch of circular

The Company will despatch a circular containing, among other things, further details of the Acquisitions, accountants' reports on the Target Companies and property valuation report on the Entire Properties, and other information as required to be contained in the circular under the Listing Rules to the Shareholders. The circular together with a notice of the EGM and a form of proxy are expected to be despatched on or before 26 January 2018 as additional time is required for the preparation of the financial information on the Target Companies and the property valuation report on the Entire Properties.

(F) WARNING

Completion of the Acquisitions is subject to the satisfaction and/or waiver of the conditions precedent under the Properties Acquisition Agreements and the Target Companies Acquisition Agreements and therefore, may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

(G) DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisitions”	the acquisitions pursuant to the Target Companies Acquisition Agreements and the Properties Acquisition Agreements
“Agent”	Midland Realty (Comm. & Ind. II) Limited (美聯物業(工商II)有限公司), a wholly-owned subsidiary of the Company
“Associate(s)”	has the same meaning as defined in the Listing Rules
“Board”	the board of the Directors
“Cash Adjustment”	the adjustment to the Target Companies Consideration, details of which is set out in the paragraph headed “The Cash Adjustment” in this announcement
“circular”	the circular to be despatched to the Shareholders in relation to the Acquisitions
“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
“Compensation”	the aggregated sum of HK\$2,000,000 as the agreed compensation
“Completion”	completion of the Acquisitions
“Completion Date”	date of Completion
“connected person(s)”	has the same meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, to approve, among other matters, the Acquisitions and the transactions contemplated thereunder
“Entire Properties”	5th, 6th, 7th, 8th and 12th floors and three car parking spaces of LMK Development Estate

“Expenses”	the aggregated sum of HK\$200,000, being the agreed expenses incurred by the Sellers in relation to the Acquisitions
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Information and Documents”	information and documents which are required in connection with the preparation of documents by the Company as required under the Listing Rules and other applicable rules, codes and regulations
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LMK Development Estate”	the development erected on all that piece or parcel of ground registered in the Land Registry as Kwai Chung Town Lot No.139 and known as “LMK Development Estate”, Nos.10/16 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong
“Properties”	5th, 7th and 12th floors and three car parking spaces of LMK Development Estate
“Properties Acquisition Agreements”	4 property acquisition agreements entered into on 28 November 2017 between the Properties Purchasers, the Properties Sellers and the Agent in respect of the sale and purchase of the Properties
“Properties Consideration”	the aggregate consideration of HK\$120.80 million payable by the Properties Purchasers pursuant to the Property Acquisition Agreements
“Properties Purchasers”	Century Hover Limited (翱年有限公司), Glorious Success Global Limited (輝成環球有限公司), Shine Treasure Holdings Limited (寶耀控股有限公司) and Sino Hover Limited (華旋有限公司), all of which are incorporated under the laws of the British Virgin Islands and wholly-owned subsidiaries of the Company
“Properties Sellers”	the sellers of the Properties

“Property Interests”	the property interests in 6th and 8th floors of LMK Development Estate
“Purchasers”	collectively, the Target Companies Purchasers and the Properties Purchasers
“Sale Debt”	all debts owed by the Target Companies to the Target Companies Sellers and their respective associates (if any) as at the Completion Date
“Sellers”	collectively, the Target Companies Sellers and the Properties Sellers
“Share(s)”	the ordinary share(s) with par value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	the Target Company A and the Target Company B
“Target Companies Acquisition Agreements”	2 provisional acquisition agreements entered into on 28 November 2017 between the Target Companies Purchasers, the Target Companies Sellers and the Agent in respect of the sale and purchase of the Target Companies
“Target Companies Consideration”	the aggregate consideration of HK\$75.20 million payable by the Target Companies Purchasers pursuant to the Target Companies Acquisition Agreements
“Target Companies Purchasers”	Fame Surge Limited (譽濤有限公司) and Profit Bright Developments Limited (盈亮發展有限公司), both are incorporated under the laws of the British Virgin Islands and wholly-owned subsidiaries of the Company
“Target Companies Sellers”	the sellers of the Target Companies
“Target Company A”	Champion Shine International Limited (承譽國際有限公司), a company incorporated in Hong Kong and wholly owned by one of the Target Companies Sellers

“Target Company B” Dragon Magic Investments Limited (世承投資有限公司), a company incorporated in Hong Kong and wholly owned by one of the Target Companies Sellers

“%” per cent.

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

Hong Kong, 28 November 2017

As at the date of this announcement, the Board comprises eight Directors, of which three are executive Directors, namely Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel; two are non-executive Directors, namely Mr. KAN Chung Nin, Tony and Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate); and three are independent non-executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted.