THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Midland IC&I Limited (the "**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.

美聯工商舖
MIDLAND IC&I

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

Financial adviser to Midland IC&I Limited

SOMERLEY CAPITAL LIMITED

A notice convening an extraordinary general meeting (the "**EGM**") of the Company at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on 13 February 2018 at 12:00 noon is set out at the end of this circular.

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

* *For identification purpose only*

23 January 2018

CONTENTS

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

"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 the letter from the Board contained in this circular
"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 on 13 February 2018 to consider and, if thought fit, to approve the Acquisitions
"Enlarged Group"	the Group as enlarged by the Acquisitions
"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
"Latest Practicable Date"	19 January 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"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 among the relevant Properties Purchasers, the relevant 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 Properties 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"	New Night Lighting Manufacturing Limited (新光燈飾製品廠有限公司), Buttons International Limited (棋富鈕扣有限公司), New Mind Holdings Limited (尚昇控股有限公司), all of which are incorporated in Hong Kong, and two individuals

"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 among 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 of which are incorporated under the laws of the British Virgin Islands and wholly-owned subsidiaries of the Company
"Target Companies Sellers"	four individuals who are the existing shareholders 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 two 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 two of the Target Companies Sellers
"%"	per cent.

美聯工商舖
MIDLAND IC&I

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

23 January 2018

To the Shareholders

Dear Sir or Madam,

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

(A) INTRODUCTION

The Board announced that on 28 November 2017 (after trading hours), 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

* *For identification purpose only*

Properties Acquisition Agreements, the Properties Purchasers have conditionally agreed to acquire and the Properties Sellers have conditionally agreed to sell the Properties.

The purpose of this circular is to give you, among other things, (i) further information on the Acquisitions; (ii) financial information on the Target Companies and the Properties; (iii) a valuation report on the Entire Properties; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

(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 and their respective Associates were independent third parties of the Company and its connected persons as at the Latest Practicable Date.

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 shall use their respective reasonable endeavours to enter into formal agreements reflecting the terms and conditions of the Target Companies Acquisition Agreements for the acquisitions of the Target Companies. 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 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/licence fees 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 Agreement and the Properties Acquisition Agreements.

Condition precedent (ii) above is capable of waiver by the relevant Target Companies Purchasers. As at the Latest Practicable Date, none of the conditions precedent above has been satisfied.

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; (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 all the deposits (without interests) 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 do 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 (without interests) received by the Target Companies Sellers 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 (without interests) received by the Target Companies Sellers 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 Agreement 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 at the Latest Practicable Date.

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 interests 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 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 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. As at the Latest Practicable Date, none of the conditions precedent above has been satisfied.

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 all the deposits (without interests) 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 (without interests) received by the Properties Sellers 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 are the financial information extracted from the accountant's report of the Target Company A in appendix IIa to this circular for the two years ended 31 March 2016 and 31 March 2017 and for the six months ended 30 September 2017 and 30 September 2016:

	For the six months ended 30 September		For the year ended 31 March	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Net profit/(loss) before tax	2,646	924	5,866	(531)
Net profit/(loss) after tax	2,646	924	5,847	(531)

	As at 30 September 2017
	HK$'000
Net asset attributable to shareholders of the Target Company A	24,054

Set out below are the financial information extracted from the accountant's report of the Target Company B in appendix IIb to this circular for the two years ended 31 March 2017 and for the six months ended 30 September 2017 and 30 September 2016:

	For the six months ended 30 September		For the year ended 31 March	
	2017	**2016**	**2017**	**2016**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Net profit/(loss) before tax	2,144	455	5,095	(844)
Net profit/(loss) after tax	2,144	455	5,095	(873)

	As at 30 September 2017
	HK$'000
Net asset attributable to shareholders of the Target Company B	22,757

Information on the Entire Properties

The Entire Properties are located at Nos. 10/16 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong. It is situated in the Kwai Chung district, which is an established industrial area undergoing a transition to a business zone.

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 44,860 sq. ft.. 5th, 6th, 7th and 12th floors are currently occupied by independent third parties, 8th floor is currently occupied by a related company of the 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.

The aggregate appraised market value of the Entire Properties as at 30 November 2017 of HK$202 million was estimated by Jones Lang LaSalle Limited, an independent property valuer. The valuation report on the Entire Properties is set out in appendix VII to this circular.

Set out below is the reconciliation of the appraised market value of the Property Interests as at 30 November 2017, as set out in the valuation report on the Entire Properties in appendix VII to this circular, and the book value of the Property Interests as at 30 September 2017, as stated in the statements of financial position of the Target Companies in appendix IIa and appendix IIb to this circular.

	HK$'000
Book value of the Property Interests as at 30 September 2017	78,200
Add: Fair value adjustment	–
Appraised market value of the Property Interests as at 30 November 2017	78,200

(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 the en-bloc building at Nos. 33 and 35 Java Road, Hong Kong and the property was ready to be used as serviced apartments and shops at the end 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 at 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 terms of the Target Companies Acquisition Agreements and the Properties Acquisition Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(E) FINANCIAL EFFECTS OF THE ACQUISITIONS

Upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company and the Properties will also be wholly owned by the Company through the Properties Purchasers and their results will be consolidated into the Group's consolidated financial statements. The Entire Properties will be recognised as investment properties of the Enlarged Group and will be subject to annual fair value assessment. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisitions on the assets and liabilities of the Group (assuming the Acquisitions had been completed on 30 June 2017) is set out in appendix V to this circular.

Based on the interim report of the Company for the six months ended 30 June 2017, as at 30 June 2017, the Group had total assets of approximately HK$1,505.8 million, total liabilities of approximately HK$486.2 million, net current assets of approximately HK$705.7 million and a gearing ratio (calculated by dividing the Group's total bank loan and convertible note by total equity of the Group) of 17.5%.

Upon Completion, the cash and bank balances of the Group is expected to be reduced by approximately HK$205.9 million which is mainly due to (i) the full payment of the aggregate consideration for the Acquisitions of HK$196.0 million, (ii) the payment of the stamp duty of approximately HK$10.1 million; and (iii) the Cash Adjustment of approximately HK$0.2 million. The actual impact of the Acquisitions on the cash and bank balances of the Group upon Completion can only be determined at Completion.

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (assuming the Acquisitions had been completed on 30 June 2017) as set out in appendix V to this circular, the Enlarged Group would have total assets of approximately HK$1,507.6 million, total liabilities of approximately HK$488.1 million, net current assets of approximately HK$497.9 million and a gearing ratio of approximately 17.5% (calculated by dividing the Group's total bank loan and convertible note by total equity of the Group) as at 30 June 2017. Based on the aforesaid figures, the net current assets will decrease while the gearing ratio will remain the same upon Completion assuming the Acquisitions had been completed on 30 June 2017.

In light of the potential future prospects offered by the Acquisitions as stated in the section headed "(D) Reasons for and benefits of the Acquisitions" above and the rental receivable from the Entire Properties is expected to be in line with the market rates, the Directors are of the view that the Acquisitions will likely contribute positively to revenue and earnings of the Enlarged Group.

Nevertheless, the actual effect on earnings of the Group will depend on the future financial performances of the Target Companies and the Properties.

(F) 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.

(G) 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.

(H) EGM

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 13 February 2018 at 12:00 noon. At the EGM, the Shareholders will be asked to consider and, if thought fit, pass the ordinary resolution as set out in the notice of EGM to approve the Acquisitions.

Votes on the resolution will be taken by poll at the EGM. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has a material interest in the Acquisitions. Accordingly, no Shareholder is required to abstain from voting on the resolution at the EGM to approve the Acquisitions.

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

(I) RECOMMENDATION

The Directors consider that the terms of the Properties Acquisition Agreements and the Target Companies Acquisition Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisitions.

(J) ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
for and on behalf of the Board
Midland IC&I Limited
WONG Hon Shing, Daniel
Chief Executive Officer and Executive Director

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2016, 2015 and 2014, as extracted from the annual reports of the Company for the three years ended 31 December 2016, 2015 and 2014 respectively, and for the six months ended 30 June 2017, as extracted from the interim report of the Company for the six months ended 30 June 2017.

	For the six months ended 30 June	Year ended 31 December		
	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS				
Revenues	313,443	520,268	470,143	547,678
Profit before taxation	54,210	23,346	6,072	45,476
Taxation	(9,503)	(5,246)	(3,701)	(5,815)
Profit for the period/year	44,707	18,100	2,371	39,661

	As at 30 June	As at 31 December		
	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND EQUITY				
Total assets	1,505,772	996,043	892,670	951,809
Total liabilities	486,226	266,737	181,869	244,815
Total equity	1,019,546	729,306	710,801	706,994

2. LATEST PUBLISHED FINANCIAL INFORMATION

The latest published audited consolidated financial information of the Group for the three years ended 31 December 2016, 2015 and 2014 were set out on pages 50 to 90 of the annual report of the Company for the year ended 31 December 2016, pages 35 to 74 of the annual report of the Company for the year ended 31 December 2015 and pages 35 to 78 of the annual report of the Company for the year ended 31 December 2014 respectively, which can be accessed by the direct hyperlinks below:

(i) The published consolidated financial statements of the Company for the year ended 31 December 2016:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427757.pdf

(ii) The published consolidated financial statements of the Company for the year ended 31 December 2015:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0428/LTN20160428555.pdf

(iii) The published consolidated financial statements of the Company for the year ended 31 December 2014:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429777.pdf

The latest published unaudited consolidated financial information of the Group for the six months ended 30 June 2017 was set out on pages 18 to 42 of the interim report of the Company for the six months ended 30 June 2017, which can be accessed by the direct hyperlink below:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0927/LTN20170927333.pdf

The latest published audited consolidated financial information of Most Wealth (Hong Kong) Limited (i.e. the company holding the en-bloc building at Nos. 33 and 35 Java Road, Hong Kong) for the three years ended 31 January 2014, 2015 and 2016 were set out on pages II-4 to II-23 of circular of the Company dated 17 February 2017, which can be accessed by the direct hyperlink below:

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0216/LTN20170216517.pdf

ACCOUNTANT'S REPORT ON THE TARGET COMPANY A

The following is the text of a report set out on pages IIa-1 to IIa-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF TARGET COMPANY A TO THE DIRECTORS OF MIDLAND IC&I LIMITED

Introduction

We report on the historical financial information of Champion Shine International Limited ("Target Company A") set out on pages IIa-4 to IIa-22, which comprises the statements of financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information of Target Company A"). The Historical Financial Information of Target Company A set out on pages IIa-4 to IIa-22 forms an integral part of this report, which has been prepared for inclusion in the circular of Midland IC&I Limited (the "Company") dated 23 January 2018 (the "Circular") in connection with the proposed major acquisition by the Company.

Directors' responsibility for the Historical Financial Information of Target Company A

The directors of the Company are responsible for the preparation of Historical Financial Information of Target Company A that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company A, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information of Target Company A that is free from material misstatement, whether due to fraud or error.

The financial statements of Target Company A for the Track Record Period ("Underlying Financial Statements of Target Company A"), on which the Historical Financial Information of Target Company A is based, were prepared by the directors of the Target Company A based on the previously issued financial statements and management accounts of Target Company A for the Track Record Period. The directors of Target Company A are responsible for the preparation of Target Company A's financial statements

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that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of Target Company A's financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information of Target Company A and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of Target Company A is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of Target Company A. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information of Target Company A, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information of Target Company A that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company A in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information of Target Company A.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information of Target Company A gives, for the purposes of the accountant's report, a true and fair view of the financial position of Target Company A as at 31 March 2015, 2016 and 2017 and 30 September 2017 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company A.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Target Company A which comprises the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information of Target Company A"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information of Target Company A in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company A. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information of Target Company A based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information of Target Company A, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company A.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information of Target Company A no adjustments to the Underlying Financial Statements of Target Company A have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

23 January 2018

CHAMPION SHINE INTERNATIONAL LIMITED

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY A

Set out below is the Historical Financial Information of Target Company A which forms an integral part of this accountant's report.

The Underlying Financial Statements of Target Company A, on which the Historical Financial Information of Target Company A is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information of Target Company A is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March			For the six months ended 30 September	
		2015	2016	2017	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*6*	900	900	975	480	495
Other income		8	1	2	–	–
Fair value gains/(losses) on investment property	*11*	2,300	(1,100)	5,300	600	2,400
Administrative expenses		(130)	(131)	(223)	(59)	(159)
Operating profit/(loss)	*8*	3,078	(330)	6,054	1,021	2,736
Finance costs	*9*	(213)	(201)	(188)	(97)	(90)
Profit/(loss) before taxation		2,865	(531)	5,866	924	2,646
Taxation	*10*	–	–	(19)	–	–
Profit/(loss) and total comprehensive income/(loss) for the year/period		2,865	(531)	5,847	924	2,646

STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 30 September
		2015	2016	2017	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current asset					
Investment property	*11*	32,000	30,900	36,200	38,600
Current assets					
Amounts due from directors	*14*	894	447	–	–
Amount due from a related company	*14*	–	400	250	–
Cash and cash equivalents		341	128	40	23
		1,235	975	290	23
Total assets		33,235	31,875	36,490	38,623
EQUITY AND LIABILITIES					
Equity					
Share capital	*12*	–	–	–	–
Retained earnings		16,092	15,561	21,408	24,054
Total equity		16,092	15,561	21,408	24,054
Current liabilities					
Other payables and accruals		8,394	171	170	165
Bank loan	*13*	6,347	5,958	5,555	5,350
Amount due to a director	*14*	–	7,783	7,136	7,133
Amounts due to related companies	*14*	2,402	2,402	2,202	1,902
Taxation payable		–	–	19	19
Total liabilities		17,143	16,314	15,082	14,569
Total equity and liabilities		33,235	31,875	36,490	38,623

STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 April 2014	–	13,227	13,227
Profit and total comprehensive income for the year	–	2,865	2,865
At 31 March 2015 and 1 April 2015	–	16,092	16,092
Loss and total comprehensive loss for the year	–	(531)	(531)
At 31 March 2016 and 1 April 2016	–	15,561	15,561
Profit and total comprehensive income for the year	–	5,847	5,847
At 31 March 2017 and 1 April 2017	–	21,408	21,408
Profit and total comprehensive income for the period	–	2,646	2,646
As at 30 September 2017	–	24,054	24,054
Unaudited:			
At 1 April 2016	–	15,561	15,561
Profit and total comprehensive income for the period	–	924	924
At 30 September 2016	–	16,485	16,485

STATEMENTS OF CASH FLOWS

		Year ended 31 March			For the six months ended 30 September	
		2015	2016	2017	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities						
Net cash generated from/(used in) operations	*15*	787	(7,453)	753	436	331
Cash flows from financing activities						
Repayment of bank loan		(377)	(389)	(403)	(199)	(205)
Interest paid		(213)	(201)	(188)	(97)	(90)
Change in balances with directors		–	8,230	(200)	(200)	(3)
Change in balances with related companies		–	(400)	(50)	–	(50)
Net cash (used in)/ generated from financing activities		(590)	7,240	(841)	(496)	(348)
Net increase/(decrease) in cash and cash equivalents		197	(213)	(88)	(60)	(17)
Cash and cash equivalents at beginning of the year/period		144	341	128	128	40
Cash and cash equivalents at end of the year/period		341	128	40	68	23

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Champion Shine International Limited is a private company incorporated in Hong Kong with limited liability. The address of its registered office and principal place of business is Unit No. 2 Mezzanine Floor, Sun Cheong Industrial Building, 1 Cheung Shun Street, Lai Chi Kok, Kowloon. The principal activity of the Target Company A is property investment which holds a property located at 6/F, LMK Development Estate, 10-16 Kwai Ting Road, Kwai Chung, Hong Kong.

The financial information (the "Financial Information") is presented in Hong Kong Dollar ("HK$"), unless otherwise stated.

2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance Cap. 622. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment property which is carried at fair value.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Target Company A's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

The financial information relating to the years ended 31 March 2015, 2016 and 2017 included in this Historical Financial Information of the Target Company A does not constitute the Target Company A's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As the Target Company A is not a public company, it is not required to deliver its financial statements to the Registrar of Companies as required by section 622 and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance (Cap. 622).

The Target Company A's auditor has reported on the financial statements of the Target Company A for the years ended 31 March 2015, 2016 and 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622) (or under their equivalent requirements found in section 141 of the predecessor Hong Kong Companies Ordinance (Cap. 32)).

(a) Going concern basis

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Target Company A reported net current liabilities of HK$15,908,000, HK$15,339,000, HK$14,792,000 and HK$14,546,000 respectively. The shareholders of the Target Company A have confirmed their intention to provide sufficient financial support to the Target Company A so as to enable the Target Company A to meet all its liabilities and obligations as and when they fall due and to enable the Target Company A to continue its businesses for twelve months after the respective years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 respectively if the Proposed Transaction is not completed, and to the completion date if the Proposed Transaction is completed. Midland IC&I Limited has also confirmed its intention to provide sufficient financial support to the Target Company A so as to enable the Target Company A to meet all its liabilities and obligations as and when they fall due and to enable the Target Company A to continue its businesses with effective from the completion date of the Proposed Transaction up to twelve months after the year ended 31 March 2017 and the six months ended 30 September 2017 respectively if the Proposed Transaction is completed. Consequently, the Historical Financial Information of the Target Company A has been prepared on a going concern basis.

(b) New standards, amendments to standards and interpretations adopted

New standards, amendments to standards and interpretations that are effective during the Track Record Period have been adopted by the Target Company A at their respective effective dates. The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Target Company A's results and financial positions.

(c) Changes in accounting policy and disclosures

The following new standards, amendments and interpretation to existing standards have been issued and are relevant to Target Company A's operations, but are not effective for the period ended 30 September 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	First-time Adoption of HKFRS	1 January 2018
Annual Improvements Project HKAS 28 (Amendment)	Annual Improvements 2014–2016 Cycle	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019

Key developments of these new standards, amendment to standard and new interpretations which may have an impact to the Target Company A's accounting policies and presentation of the financial statements are described below:

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The Target Company A anticipates that it would not have a significant impact on its results of operations and financial position.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Target Company A anticipates that it would not have a significant impact on its results of operations and financial position as it only has loan and receivables as financial assets at amortised cost, except it may result in an earlier recognition of credit losses on these receivables.

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The standard replaces HKAS 17 "Leases" and related interpretations. An entity shall apply HKFRS 16 for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 "Revenue from contracts with customers" at the same time. The standard will affect primarily the accounting for the Target Company A's operating leases. The Target Company A anticipates that it would not have a significant impact on its results of operations and financial position.

The Target Company A will adopt the above new standards, amendment to standard and new interpretations as and when they become effective. None of these is expected to have a significant impact on its results of operation and financial positions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied, unless otherwise stated.

(a) Investment property

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the Target Company A, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing estimated open market value determined at each reporting date by qualified valuers. Changes in fair values are recognised in the statement of comprehensive income as fair value gains/(losses) on investment property.

Subsequent expenditure is charged to the carrying amount of the property only when it is probable that future economic benefits associated with the asset will flow to the Target Company A and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in the statement of comprehensive income.

(b) Financial assets

The Target Company A classifies its financial assets as loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date. These are classified as non-current assets. Loans and receivables are classified as "amount due from directors", "amount due from a related company" and "cash and cash equivalents" in the statements of financial position.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Target Company A commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target Company A has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(d) Impairment of financial assets

The Target Company A assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(e) Other receivables

If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) Other payables

Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company A has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

(j) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(k) Taxation

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in Hong Kong. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Provisions

Provisions are recognised when the Target Company A has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(m) Revenue

Operating lease rental income is recognised over the term of the lease on a straight-line basis.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Company A. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Target Company A's activities expose it to credit risk, liquidity risk and cash flow interest rate risk. The overall risk management programme of the Target Company A focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Target Company A.

(i) Credit risk

The Target Company A is exposed to credit risk in relation to its cash and cash equivalents, amounts due from directors and a related company. The Target Company A's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover outstanding debts. In addition, management reviews regularly the recoverable amount of each individual receivable.

Cash and cash equivalents are deposited in banks with sound credit ratings. Given their sound credit ratings, the Target Company A does not expect to have high credit risk in this aspect.

(ii) Liquidity risk

Management monitors regularly the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations.

The following table shows the remaining contractual maturity at the end of the reporting period of the Target Company A's financial liabilities based on undiscounted cash flows and the earliest date the Target Company A can be required to pay. Specifically, for the bank loan which contains a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Target Company A can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loan with immediate effect. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand	**Less than 1 year**
	HK$'000	*HK$'000*
As at 30 September 2017		
Other payables and accruals	–	165
Bank loan	5,350	–
Amount due to a director	7,133	–
Amounts due to related companies	1,902	–
	14,385	165
As at 31 March 2017		
Other payables and accruals	–	170
Bank loan	5,555	–
Amount due to a director	7,136	–
Amounts due to related companies	2,202	–
	14,893	170
As at 31 March 2016		
Other payables and accruals	–	171
Bank loan	5,958	–
Amount due to a director	7,783	–
Amounts due to related companies	2,402	–
	16,143	171
As at 31 March 2015		
Other payables and accruals	–	8,394
Bank loan	6,347	–
Amount due to a director	–	–
Amounts due to related companies	2,402	–
	8,749	8,394

The table below summarises the maturity analysis of the bank loan with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table.

	Maturity analysis – Bank loan subject to a repayment on demand clause based on scheduled repayments			
	Less than 1 year	**Between 2 and 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 September 2017				
Bank loan	423	1,835	3,092	5,350
Interest payable	168	526	302	996
	591	2,361	3,394	6,346
As at 31 March 2017				
Bank loan	416	1,805	3,334	5,555
Interest payable	174	557	355	1,086
	590	2,362	3,689	6,641
As at 31 March 2016				
Bank loan	403	1,747	3,808	5,958
Interest payable	188	614	472	1,274
	591	2,361	4,280	7,232
As at 31 March 2015				
Bank loan	389	1,692	4,266	6,347
Interest payable	201	670	604	1,475
	590	2,362	4,870	7,822

(iii) Cash flow interest rate risk

The Target Company A has no significant interest bearing assets other than bank deposits and bank borrowings at variable rates.

At each of the statement of financial position dates, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Target Company A's profit or loss before taxation would have been approximately HK$16,000, HK$15,000, HK$14,000, and HK$7,000 lower/higher for the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 respectively.

(b) Capital risk management

The Target Company A's objectives when managing capital are to finance its operations with funding from a shareholder and to safeguard the Target Company A's ability to continue as a going concern in order to provide returns for shareholders.

The capital structure of the Target Company A consists of equity attributable to owners of the Target Company A, a bank loan and an amount due to a director and related companies. In order to maintain or adjust the capital structure, the Target Company A will consider macro-economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through bank borrowing as necessary.

The shareholder of the Target Company A has agreed to provide financial support to the Target Company A to maintain as a going concern.

(c) Fair value estimation

The fair value of bank loans, which carry interest at floating rate, equals their carrying amounts.

The carrying amounts of the financial assets and other financial liabilities approximate their fair values due to their short-term maturities.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Target Company A makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements in applying the Target Company A's accounting policies, and estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of investment property

The fair value of investment properties is determined by valuation techniques. Details of the judgement and assumptions used in the valuation have been disclosed in note 11 to the Financial Information.

Income taxes

The Target Company A is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Target Company A recognises profit tax payable of HK$31,000, HK$97,000, HK$162,000 and HK$195,000 as at 31 March 2015, 2016 and 2017 and 30 September 2017. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation assets and liabilities in the period in which such determination is made.

6 REVENUE

	Year ended 31 March			For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental income	900	900	975	480	495

7 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments (equivalent to key management compensation)

The directors, who represent key management personnel of the Target Company A, having authority and responsibility for planning, directing and controlling the activities of the Target Company A, did not receive or will not receive any fees or emoluments in respect of their services to the Target Company A during the Track Record Period.

(b) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Target Company A during the Track Record Period.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and the controlled entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Except for those disclosed in Note 14, there were no significant transactions, arrangements and contracts in relation to the Target Company A's business to which the Target Company A was a party and in which a director of the Target Company A had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

8 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is arrived at after charging:

	Year ended 31 March			For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration	7	7	5	3	3
Building management fee and government rent and rates	102	95	79	39	40

9 FINANCE COSTS

	Year ended 31 March			For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest charge on bank loan	213	201	188	97	90

10 TAXATION

	Year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current Hong Kong profits tax	–	–	19	–	–

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

The tax on the Target Company A's profit/(loss) before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit/(loss) before taxation	2,865	(531)	5,866	924	2,646
Calculated at a taxation rate of 16.5%	473	(88)	968	152	437
Income not subject to taxation	(380)	–	(875)	(99)	(396)
Expenses not deductible for taxation purposes	–	182	–	–	–
Utilisation of unrecognised tax losses	(39)	(40)	–	–	–
Others	(54)	(54)	(74)	(53)	(41)
Taxation charge/(credit)	–	–	19	–	–

11 INVESTMENT PROPERTY

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At fair value				
Beginning of the year/period	29,700	32,000	30,900	36,200
Fair value gains/(losses)	2,300	(1,100)	5,300	2,400
End of the year/period	32,000	30,900	36,200	38,600

Amounts recognised in statement of comprehensive income for investment property:

	Year ended 31 March			For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Rental income	900	900	975	480	495
Direct operating expenses from property that generated rental income	(102)	(95)	(79)	(39)	(40)
	798	805	896	441	455

As at 31 March 2015, 2016, 2017 and 30 September 2017, the investment property was pledged as security for the company's bank loan (note 13). As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, the investment property was pledged as security for the banking facilities of its related companies (note 17).

As at 31 March 2014, 2015, 2016 and 2017 and 30 September 2017, valuations of the properties were undertaken by independent valuers annually. The valuers have appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Valuation of property was determined using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as size, floor level, layout, view, frontage and accessibility. The most significant input into this valuation approach is price per square foot.

Information about fair value measurements using significant inputs for the investment property in Hong Kong (Level 2):

Valuation method	**Significant inputs**	**Estimation range**
Direct comparison	Sales price	As at 31 March 2015: from HK$2,970 to HK$3,980 per square foot (saleable)
		As at 31 March 2016: from HK$2,830 to HK$4,446 per square foot (saleable)
		As at 31 March 2017: from HK$3,823 to HK$4,065 per square foot (saleable)
		As at 30 September 2017: from HK$3,712 to HK$4,392 per square foot (saleable)

12 SHARE CAPITAL

	Number of ordinary shares	*HK$'000*
Issued and fully paid:		
At 1 April 2014, 31 March 2015, 2016 and 2017 and 30 September 2017	2	–

13 BANK LOAN

The Target Company A's bank loan is repayable as follows:

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	389	403	416	423
After 1 year but within 2 years	403	416	430	437
After 2 years but within 5 years	1,289	1,331	1,375	1,398
Over 5 years	4,266	3,808	3,334	3,092
	6,347	5,958	5,555	5,350

The bank loan contains a repayment on demand clause and is classified as current liability. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Target Company A's bank loan is denominated in HK$.

The bank loan was secured by the Target Company A's investment property (Note 11) and the personal guarantee of a director of the Target Company A (note 14).

The effective interest rate of bank loan is 3.25% as of 31 March 2015, 2016, 2017 and 30 September 2017. The carrying amount of the bank loan approximates its fair value and subject to contractual repricing upon the change of the Hong Kong Best Lending Rate.

14 RELATED PARTY TRANSACTIONS

(a) Particulars of amounts due from directors are as follows:

	As at 31 March			As at 30 September
	2015	2016	2017	2017
Name of director	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chan Wai Shung	447	–	–	–
Chim Lai Kuen, Cathy	447	447	–	–
	894	447	–	–

(b) Maximum amount outstanding from directors during the years/period are as follows:

	Year ended 31 March			Period ended 30 September
	2015	2016	2017	2017
Name of director	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Chan Wai Shung	447	447	–	–
Chim Lai Kuen, Cathy	447	447	447	–

(c) Amounts due from/(to) directors are unsecured, interest-free, repayable on demand and are denominated in Hong Kong dollars.

(d) Amounts due from/(to) related companies are unsecured, interest-free, repayable on demand and are denominated in Hong Kong dollars, These related companies are controlled by the directors of Target Company A.

(e) Key management compensation

Key management includes directors. No compensation was paid to key management for employee services during the Track Record Period.

(f) As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, the Target Company A's investment property was pledged to a bank as part of the securities for its related companies' banking facilities (note 17).

(g) As at 31 March 2015, 2016, 2017 and 30 September 2017, a director of the Target Company A has provided personal guarantee to the bank to secure the Target Company A's bank loan (note 13).

15 NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of operating profit/(loss) to net cash generated from operations:

	Year ended 31 March			For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating profit/(loss)	3,078	(330)	6,054	1,021	2,736
Fair value (gains)/losses on investment property	(2,300)	1,100	(5,300)	(600)	(2,400)
Operating profit before working capital changes	778	770	754	421	336
Change in other payables and accruals	9	(8,223)	(1)	15	(5)
Net cash generated from/(used in) operations	787	(7,453)	753	436	331

16 FUTURE LEASE RENTAL RECEIVABLE

The Target Company A had future minimum lease rental receivable under non-cancellable operating leases as follows:

	As at 31 March			As at 30 September
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	900	–	–	–
Between one year and five years	4,077	–	–	–
Later than 5 years	1,869	–	–	–
	6,846	–	–	–

The tenancy agreement had been lapsed during the year ended 31 March 2016 as the tenant was dissolved.

17 CONTINGENT LIABILITIES AND GUARANTEES

The Target Company A pledged its investment property to the bank as part of the securities for general banking facilities granted to its related companies. As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, total banking facilities of HK$16,000,000, HK$16,000,000, HK$40,000,000 and HK$40,000,000 were granted to the related companies.

Except for above, the Target Company A did not have other material contingent liabilities and guarantees during the Track Record Period.

18 CAPITAL COMMITMENTS

The Target Company A did not have any significant capital commitments as at 31 March 2015, 2016, 2017 and 30 September 2017.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company A in respect of any period subsequent to 30 September 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company A in respect of any period subsequent to 30 September 2017.

ACCOUNTANT'S REPORT ON THE TARGET COMPANY B

The following is the text of a report set out on pages IIb-1 to IIb-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF TARGET COMPANY B TO THE DIRECTORS OF MIDLAND IC&I LIMITED

Introduction

We report on the historical financial information of Dragon Magic Investments Limited ("Target Company B") set out on pages IIb-4 to IIb-23, which comprises the statements of financial position as at 31 March 2015, 2016 and 2017 and 30 September 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information of Target Company B"). The Historical Financial Information of Target Company B set out on pages IIb-4 to IIb-23 forms an integral part of this report, which has been prepared for inclusion in the circular of Midland IC&I Limited (the "Company") dated 23 January 2018 (the "Circular") in connection with the proposed major acquisition by the Company.

Directors' responsibility for the Historical Financial Information of Target Company B

The directors of the Company are responsible for the preparation of Historical Financial Information of Target Company B that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company B, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information of Target Company B that is free from material misstatement, whether due to fraud or error.

The financial statements of Target Company B for the Track Record Period ("Underlying Financial Statements of Target Company B"), on which the Historical Financial Information of Target Company B is based, were prepared by the directors of the Target Company B based on the previously issued financial statements and management accounts of Target Company B for the Track Record Period. The directors of Target Company B are responsible for the preparation of Target Company B's financial statements

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that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of Target Company B's financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information of Target Company B and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of Target Company B is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of Target Company B. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information of Target Company B, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information of Target Company B that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company B in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information of Target Company B.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information of Target Company B gives, for the purposes of the accountant's report, a true and fair view of the financial position of Target Company B as at 31 March 2015, 2016 and 2017 and 30 September 2017 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company B.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Target Company B which comprises the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information of Target Company B"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information of Target Company B in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company B. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information of Target Company B based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information of Target Company B, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of Target Company B.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information of Target Company B no adjustments to the Underlying Financial Statements of Target Company B have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

23 January 2018

DRAGON MAGIC INVESTMENTS LIMITED

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY B

Set out below is the Historical Financial Information of Target Company B which forms an integral part of this accountant's report.

The Underlying Financial Statements of Target Company B, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information of Target Company B is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March			For the six months ended 30 September	
		2015	**2016**	**2017**	**2016**	**2017**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	*6*	1,002	858	360	180	180
Other gains/(losses)	*7*	2,900	(1,240)	5,200	500	2,200
Administrative expenses		(145)	(135)	(145)	(65)	(76)
Operating profit/(loss)	*9*	3,757	(517)	5,415	615	2,304
Finance costs	*10*	(655)	(327)	(320)	(160)	(160)
Profit/(loss) before taxation		3,102	(844)	5,095	455	2,144
Taxation	*11*	–	(29)	–	–	–
Profit/(loss) and total comprehensive income/(loss) for the year/period		3,102	(873)	5,095	455	2,144

STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 30 September
		2015	2016	2017	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Investment properties	*12*	35,412	32,200	37,400	39,600
Current assets					
Other receivables		6	6	6	6
Cash and cash equivalents		4	23	23	23
		10	29	29	29
Total assets		35,422	32,229	37,429	39,629
EQUITY AND LIABILITIES					
Equity					
Share capital	*13*	–	–	–	–
Retained earnings		16,391	15,518	20,613	22,757
Total equity		16,391	15,518	20,613	22,757
Current liabilities					
Other payables and accruals		22	30	17	11
Bank loan	*14*	595	–	–	–
Amount due to a director	*15*	2,174	648	770	832
Amount due to a related company	*15*	240	4	–	–
Loan from a related company	*15*	16,000	16,000	16,000	16,000
Taxation payable		–	29	29	29
		19,031	16,711	16,816	16,872
Total liabilities		19,031	16,711	16,816	16,872
Total equity and liabilities		35,422	32,229	37,429	39,629

STATEMENTS OF CHANGES IN EQUITY

	Share capital	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2014	–	13,289	13,289
Profit and total comprehensive income for the year	–	3,102	3,102
At 31 March 2015 and 1 April 2015	–	16,391	16,391
Loss and total comprehensive loss for the year	–	(873)	(873)
At 31 March 2016 and 1 April 2016	–	15,518	15,518
Profit and total comprehensive income for the year	–	5,095	5,095
At 31 March 2017 and 1 April 2017	–	20,613	20,613
Profit and total comprehensive income for the period	–	2,144	2,144
As at 30 September 2017	–	22,757	22,757
Unaudited:			
At 1 April 2016	–	15,518	15,518
Profit and total comprehensive income for the period	–	455	455
At 30 September 2016	–	15,973	15,973

STATEMENTS OF CASH FLOWS

		Year ended 31 March			For the six months ended 30 September	
		2015	2016	2017	2016	2017
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities						
Net cash generated from operations	*16*	884	731	202	103	98
Cash flows from investing activities						
Proceeds from disposal of investment property		–	1,972	–	–	–
Net cash from investing activities		–	1,972	–	–	–
Cash flows from financing activities						
Repayment of bank loan		(39)	(595)	–	–	–
Interest paid		(655)	(327)	(320)	(160)	(160)
Change in amount due to a director		(36)	(1,526)	122	61	62
Change in amount due to a related company		(165)	(236)	(4)	(4)	–
Net cash used in financing activities		(895)	(2,684)	(202)	(103)	(98)
Net (decrease)/increase in cash and cash equivalents		(11)	19	–	–	–
Cash and cash equivalents at beginning of the year/period		15	4	23	23	23
Cash and cash equivalents at end of the year/period		4	23	23	23	23

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Dragon Magic Investments Limited is a private company incorporated in Hong Kong with limited liability. The address of its registered office and principal place of business is 8/F, LMK Development Estate, 10-16 Kwai Ting Road, Kwai Chung, Hong Kong. The principal activity of the Target Company B is property investment which holds a property located at 8/F, LMK Development Estate, 10-16 Kwai Ting Road, Kwai Chung, Hong Kong.

The financial information (the "Financial Information") is presented in Hong Kong Dollar ("HK$"), unless otherwise stated.

2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance Cap.622. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Target Company B's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

The financial information relating to the years ended 31 March 2015, 2016 and 2017 included in this Historical Financial Information of the Target Company B does not constitute the Target Company B's statutory annual financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As the Target Company B is not a public company, it is not required to deliver its financial statements to the Registrar of Companies as required by section 622 and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance (Cap. 622).

The Target Company B's auditor has reported on the financial statements of the Target Company B for the years ended 31 March 2015, 2016 and 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622) (or under their equivalent requirements found in section 141 of the predecessor Hong Kong Companies Ordinance (Cap. 32)).

(a) Going concern basis

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Target Company B reported net current liabilities of HK$19,021,000, HK$16,682,000, HK$16,787,000 and HK$16,843,000 respectively. The shareholders of the Target Company B have confirmed their intention to provide sufficient financial support to the Target Company B so as to enable the Target Company B to meet all its liabilities and obligations as and when they fall due and to enable the Target Company B to continue its businesses for twelve months after the respective years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 respectively if the Proposed Transaction is not completed, and to the completion date if the Proposed Transaction is completed. Midland IC&I Limited has also confirmed its intention to provide sufficient financial support to the Target Company B so as to enable the Target Company B to meet all its liabilities and obligations as and when they fall due and to enable the Target Company B to continue its businesses with effective from the completion date of the Proposed Transaction up to twelve months after the year ended 31 March 2017 and the six months ended 30 September 2017 respectively if the Proposed Transaction is completed. Consequently, the Historical Financial Information of the Target Company B has been prepared on a going concern basis.

(b) New standards, amendments to standards and interpretations adopted

New standards, amendments to standards and interpretations that are effective during the Track Record Period have been adopted by the Target Company B at their respective effective dates. The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Target Company B's results and financial positions.

(c) Changes in accounting policy and disclosures

The following new standards, amendments and interpretation to existing standards have been issued and are relevant to Target Company B's operations, but are not effective for the period ended 30 September 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 1 (Amendment)	First-time Adoption of HKFRS	1 January 2018
Annual Improvements Project HKAS 28 (Amendment)	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019

Key developments of these new standards, amendment to standard and new interpretations which may have an impact to the Target Company B's accounting policies and presentation of the financial statements are described below:

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The Target Company B anticipates that it would not have a significant impact on its results of operations and financial position.

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (''ECL'') model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Target Company B anticipates that it would not have a significant impact on its results of operations and financial position as it only has loan and receivables as financial assets at amortised cost, except it may result in an earlier recognition of credit losses on these receivables.

HKFRS 16 ‘‘Leases’’ addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The standard replaces HKAS 17 ‘‘Leases’’ and related interpretations. An entity shall apply HKFRS 16 for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 ‘‘Revenue from contracts with customers’’ at the same time. The standard will affect primarily the accounting for the Target Company B's operating leases. The Target Company B anticipates that it would not have a significant impact on its results of operations and financial position.

The Target Company B will adopt the above new standards, amendment to standard and new interpretations as and when they become effective. None of these is expected to have a significant impact on its results of operation and financial positions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied, unless otherwise stated.

(a) Investment properties

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the Target Company B, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing estimated open market value determined at each reporting date by qualified valuers. Changes in fair values are recognised in the statement of comprehensive income as part of other gain or other losses.

Subsequent expenditure is charged to the carrying amount of the property only when it is probable that future economic benefits associated with the asset will flow to the Target Company B and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in the statement of comprehensive income.

(b) Financial assets

The Target Company B classifies its financial assets as loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date. These are classified as non-current assets. Loans and receivables are classified as “other receivables” and “cash and cash equivalents” in the statements of financial position.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Target Company B commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target Company B has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(d) Impairment of financial assets

The Target Company B assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

(e) Other receivables

If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) Other payables

Other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company B has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

(j) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(k) Taxation

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in Hong Kong. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Provisions

Provisions are recognised when the Target Company B has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(m) Revenue

Operating lease rental income is recognised over the term of the lease on a straight-line basis.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Company B. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Target Company B's activities expose it to credit risk, cash flow and fair value interest rate risk and liquidity risk. The overall risk management programme of the Target Company B focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Target Company B.

(i) Credit risk

The Target Company B is exposed to credit risk in relation to its other receivables and cash and cash equivalents. The Target Company B's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover outstanding debts. In addition, management reviews regularly the recoverable amount of each individual receivable.

Cash and cash equivalents are deposited in banks with sound credit ratings. Given their sound credit ratings, the Target Company B does not expect to have high credit risk in this aspect.

(ii) Fair value and cash flow interest rate risk

The Target Company B is exposed to fair value interest rate risk in relation to the loan from a related company, which is at fixed rate.

The Target Company B has no significant interest bearing assets other than bank deposits and bank borrowings at variable rates, which is subject to cash flow interest rate risk.

At each of the statement of financial position dates, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Target Company B's profit or loss before taxation would have been approximately HK$42,000, HK$41,000, HK$40,000 and HK$20,000 lower/higher for the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 respectively.

(iii) Liquidity risk

Management monitors regularly the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations.

The following table shows the remaining contractual maturity at the end of the reporting period of the Target Company B's financial liabilities based on undiscounted cash flows and the earliest date the Target Company B can be required to pay. Specifically, for the bank loan which contains a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Target Company B can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loan with immediate effect. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand	Less than 1 year
	HK$'000	*HK$'000*
As at 30 September 2017		
Other payables and accruals	–	11
Amount due to a director	832	–
Loan from a related company	16,000	–
	16,832	11
As at 31 March 2017		
Other payables and accruals	–	17
Amount due to a director	770	–
Loan from a related company	16,000	–
	16,770	17
As at 31 March 2016		
Other payables and accruals	–	30
Amount due to a director	648	–
Amount due to a related company	4	–
Loan from a related company	16,000	–
	16,652	30
As at 31 March 2015		
Other payables and accruals	–	22
Bank loan	595	–
Amount due to a director	2,174	–
Amount due to a related company	240	–
Loan from a related company	16,000	–
	19,009	22

The table below summarises the maturity analysis of the bank loan with a repayment on demand clause based on agreed scheduled repayment dates set out in the loan agreement and loan from a related company which is repayable on demand. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table.

	Maturity analysis – Bank loan subject to a repayment on demand clause based on scheduled repayment dates and loan from a related company, which is repayable on demand			
	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 September 2017				
Loan from a related company	16,000	–	–	16,000
Interest payable	320	–	–	320
	16,320	–	–	16,320
As at 31 March 2017				
Loan from a related company	16,000	–	–	16,000
Interest payable	320	–	–	320
	16,320	–	–	16,320
As at 31 March 2016				
Loan from a related company	16,000	–	–	16,000
Interest payable	320	–	–	320
	16,320	–	–	16,320
As at 31 March 2015				
Loan from a related company	16,000	–	–	16,000
Bank loan	40	169	386	595
Interest payable	333	46	38	417
	16,373	215	424	17,012

(b) Capital risk management

The Target Company B's objectives when managing capital are to finance its operations with funding from a shareholder and to safeguard the Target Company B's ability to continue as a going concern in order to provide returns for shareholders.

The capital structure of the Target Company B consists of equity attributable to owners of the Target Company B, an amount due to a director and loan from a related company. In order to maintain or adjust the capital structure, the Target Company B will consider macro-economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through bank borrowing as necessary.

The shareholder of the Target Company B has agreed to provide financial support to the Target Company B to maintain as a going concern.

(c) Fair value estimation

The fair value of bank loans, which carry interest at floating rate, equals their carrying amounts.

The carrying amounts of the financial assets and other financial liabilities approximate their fair values due to their short-term maturities.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Target Company B makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements in applying the Target Company B's accounting policies, and estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of investment properties

The fair value of investment properties is determined by valuation techniques. Details of the judgement and assumptions used in the valuation have been disclosed in note 12 to the Financial Information.

Income taxes

The Target Company B is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Target Company B recognises profit tax payable of HK$nil, HK$29,000, HK$29,000 and HK$29,000 as at 31 March 2015, 2016 and 2017 and 30 September 2017. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred taxation assets and liabilities in the period in which such determination is made.

6 REVENUE

	Year ended 31 March			For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental income	1,002	858	360	180	180

7 OTHER GAINS/(LOSSES)

	Year ended 31 March			For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Fair value gains/(losses) on investment property *(note 12)*	2,900	(1,200)	5,200	500	2,200
Loss on disposal of investment property	–	(40)	–	–	–
	2,900	(1,240)	5,200	500	2,200

8 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments (equivalent to key management compensation)

The directors, who represent key management personnel of the Target Company B, having authority and responsibility for planning, directing and controlling the activities of the Target Company B, did not receive or will not receive any fees or emoluments in respect of their services to the Target Company B during the Track Record Period.

(b) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

No payment was made to the former employer of directors for making available the services of them as a director of the Target Company B during the Track Record Period.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and the controlled entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Except for those disclosed in Note 15, there were no significant transactions, arrangements and contracts in relation to the Target Company B's business to which the Target Company B was a party and in which a director of the Target Company B had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

9 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is arrived at after charging:

	Year ended 31 March			For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Auditor's remuneration	9	9	8	–	4
Building management fee and government rent and rates	118	115	130	65	70

10 FINANCE COSTS

	Year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Interest charge on bank loan	15	7	–	–	–
Interest charge on unsecured loan from a related company	640	320	320	160	160
	655	327	320	160	160

11 TAXATION AND DEFERRED TAXATION

	Year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current Hong Kong profits tax	–	29	–	–	–

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

The tax on the Target Company B's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit/(loss) before taxation	3,102	(844)	5,095	455	2,144
Calculated at a taxation rate of 16.5%	512	(139)	841	75	354
Income not subject to taxation	(479)	–	(858)	(83)	(363)
Expenses not deductible for taxation purposes	–	204	–	–	–
Unrecognised temporary difference	(10)	(1)	(8)	(4)	(4)
Utilisation of unrecognised tax losses	(23)	(15)	–	–	–
Tax losses not recognised	–	–	25	12	13
Others	–	(20)	–	–	–
Taxation charge	–	29	–	–	–

Deferred taxation assets are recognized for tax losses carry forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Target Company B did not recognize deferred taxation assets of HK$25,000 and HK$38,000 in respect of losses amounting to HK$155,000 and HK$235,000 as at 31 March 2017 and 30 September 2017. These tax losses can be carried forward against future taxable income indefinitely.

12 INVESTMENT PROPERTIES

		As at 31 March		As at 30 September
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At fair value				
Beginning of the year/period	32,512	35,412	32,200	37,400
Disposal	–	(2,012)	–	–
Fair value gains/(losses) *(Note 7)*	2,900	(1,200)	5,200	2,200
End of the year/period	35,412	32,200	37,400	39,600

Amounts recognised in statement of comprehensive statement for investment properties:

		Year ended 31 March		For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental income	1,002	858	360	180	180
Direct operating expenses from property that generated rental income	(118)	(115)	(130)	(65)	(70)
	884	743	230	115	110

As at 31 March 2015, an investment property of HK$2,012,000 is pledged as security for the Target Company B's bank loan (note 14). As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, the investment property of HK$33,400,000, HK$32,200,000, HK$37,400,000 and HK$39,600,000 is pledged as security for a related company's banking facilities (note 17).

As at 31 March 2015, 2016 and 2017 and 30 September 2017, valuations of the property were undertaken by independent valuers annually. The valuers have appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Valuation of properties was determined using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as size, floor level, layout, view, frontage and accessibility. The most significant input into this valuation approach is price per square foot. The revaluation gains/(losses) is included in "Other gains/(losses)" in the statement of comprehensive income (note 7).

Information about fair value measurements using significant inputs for the investment properties in Hong Kong (Level 2):

Type of investment properties	Valuation method	Significant inputs	Estimation range
Industrial property	Direct comparison	Sales price	As at 31 March 2015: HK$2,970 to HK$3,980 per square foot (saleable)
			As at 31 March 2016: HK$2,830 to HK$4,446 per square foot (saleable)
			As at 31 March 2017: HK$3,823 to HK$4,065 per square foot (saleable)
			As at 30 September 2017: HK$3,712 to HK$4,392 per square foot (saleable)
Car parking space	Direct comparison	Sales price	As at 31 March 2015: HK$1,800,000 to HK$2,200,000 per car parking space (saleable)

13 SHARE CAPITAL

	Number of ordinary shares	*HK$'000*
Issued and fully paid:		
At 1 April 2014, 31 March 2015, 2016 and 2017 and 30 September 2017	2	–

14 BANK LOAN

The Target Company B's bank loan is repayable as follows:

	As at 31 March			As at 30 September
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	40	–	–	–
After 1 year but within 2 years	41	–	–	–
After 2 years but within 5 years	128	–	–	–
Over 5 years	386	–	–	–
	595	–	–	–

The bank loan contains a repayment on demand clause and is classified as current liability. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Target Company B's bank loan is denominated in HK$.

As at 31 March 2015, the bank loan was secured by the Target Company B's investment property of HK$2,012,000 (Note 12), a joint and several guarantee by directors of the Target Company B and a corporate guarantee by a related company in which Target Company B's directors had benefit interest (Note 15). The bank loan was fully repaid during the year ended 31 March 2016.

The effective interest rate of bank loan is 2.4% as of 31 March 2015 and 2016. The carrying amount of the bank loan approximates its fair value and subject to contractual repricing upon the change of the Hong Kong Best Lending Rate.

15 RELATED PARTY TRANSACTIONS

(a) Amounts due to a director and a related company

The amounts due to a director and a related company are unsecured, interest free and repayable on demand.

These related companies are controlled by the directors of Target Company B.

(b) Loan from a related company

Charged with interest at 4%, 2%, 2% and 2% per annum for years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 respectively and is repayable on demand.

The related company is controlled by the directors of Target Company B.

(c) Related party transactions

The Target Company B had the following transactions with related companies in which the Target Company B's directors have beneficial interest during the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2016 and 2017:

	Year ended 31 March			For the six months ended 30 September	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental income *(i)*	960	840	360	180	180
Loan interest *(ii)*	640	320	320	160	160

Notes:

(i) The Target Company B received rental income from a related company which has the same directors of the Target Company B on terms mutually agreed by both parties.

(ii) The loan interest was paid to a related company which has the same directors of the Target Company B. For the term of the loan, please refer to note 15 (b).

(d) Key management compensation

Key management includes directors. No compensation was paid to key management for employee services during the Track Record Period.

(e) As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September, 2017, the Target Company B's investment property of HK$33,400,000, HK$32,200,000, HK$37,400,000 and HK$39,600,000 was pledged to a bank as part of the securities for its related company's banking facilities (note 17).

(f) As at 31 March 2015, the bank loan was secured by a joint and several guarantee by directors of the Target Company B and a corporate guarantee by a related company in which Target Company B's directors had beneficial interest (note 14).

16 NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of operating profit/ (loss) to net cash generated from operations:

	Year ended 31 March			For the six months ended 30 September	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating profit/ (loss)	3,757	(517)	5,415	615	2,304
Fair value gains/ (losses) on investment property	(2,900)	1,200	(5,200)	(500)	(2,200)
Loss on disposal of investment property	–	40	–	–	–
Operating profit before working capital changes	857	723	215	115	104
Change in rental receivable	36	–	–	–	–
Change in other payables and accruals	(9)	8	(13)	(12)	(6)
Net cash generated from operations	884	731	202	103	98

17 CONTINGENT LIABILITIES AND GUARANTEES

The Target Company B pledged its investment property to a bank as part of the securities for general banking facilities granted to its related company. As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, total banking facilities of HK$57,460,000 were granted to the related company.

Except for above, the Target Company B did not have other material contingent liabilities and guarantees during the Track Record Period.

18 CAPITAL AND OPERATING LEASE COMMITMENT

The Target Company B did not have any significant capital and operating lease commitments as at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company B in respect of any period subsequent to 30 September 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company B in respect of any period subsequent to 30 September 2017.

PROFIT AND LOSS STATEMENT OF THE PROPERTIES

Pursuant to Rule 14.67(6)(b)(i) of the Listing Rules, on an acquisition of revenue generating assets with identifiable income stream or assets valuation, the Company is required to include in this circular a profit and loss statement and valuation (where available) for the 3 preceding financial years ended 31 March 2015, 2016 and 2017 and for the six months ended 30 September 2017 (the "**Relevant Period**") on the identifiable income stream in relation to such assets which must be reviewed by the auditor or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records.

For the preparation of the profit and loss statement on the identifiable income stream in relation to the Properties in strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules, full access to the underlying books and records of the Properties covering the Relevant Period is required. However, despite requests made by the Company to the Properties Sellers, the Company and the Company's auditor are unable to gain full access to the abovementioned underlying books and records of the Properties. Without the aforesaid full access to the underlying books and records of the Properties, it would not be possible for the Company to properly compile a profit and loss statement on the identifiable income stream in relation to the Properties for inclusion in the circular as required under Rule 14.67(6)(b)(i) of the Listing Rules.

The Company has therefore applied to and the Stock Exchange has granted a waiver, from strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules. The unaudited financial information of the Properties for the Relevant Period as set out in this appendix has been prepared by the Company based on the review of the subsisting tenancy agreements of the Properties (the "**Subsisting Tenancies**") provided to the Company by the Properties Sellers and may not give a true and complete picture of the performance of the Properties during the Relevant Period.

Set out below is the summary of principal terms of the Subsisting Tenancies:

	Lease term	**Monthly rental** *(HK$)*	**Option to renew**
5th floor	1 March 2017 to 28 February 2020	105,000	Option to renew for 3 years
7th floor *(Note 1)*			
Sub-lease A	1 June 2016 to 31 May 2018	34,000	Option to renew for 2 years
Sub-lease B	1 March 2016 to 31 May 2018	25,000	Option to renew for 2 years
Sub-lease C	1 August 2016 to 31 May 2018	56,000	Option to renew for 2 years
12th floor	1 June 2016 to 31 May 2018	101,000	Option to renew for 2 years
Three car parking spaces	Not applicable *(Note 2)*	Not applicable *(Note 2)*	Not applicable *(Note 2)*

Notes:

1. 7th floor has been divided into three different units which have been sub-let to the same tenant.

2. The three car parking spaces are currently for self-use by the relevant Properties Sellers and they shall be leased back to the nominee of the relevant Properties Sellers upon Completion. Please refer to the paragraph headed "Tenancy agreement in respect of the three car parking spaces of the LMK Development Estate" in the letter from Board contained in this circular.

Pursuant to the Subsisting Tenancies, the tenants are responsible for electricity, telephone, water and other similar charges in respect of the Properties while the landlords are responsible for building management fee, government rent and rates. Due to the limited information available, the Directors are unable to ascertain whether there were any other expenses such as depreciation, finance costs and tax incurred for the Relevant Period.

As the Group intends to hold the Properties for investment purposes, the Properties will be classified as investment properties in its financial statements and be stated at fair value. Accordingly there would be no depreciation for the Properties. The Properties Purchasers are subject to Hong Kong profits tax.

Based on the Subsisting Tenancies, the gross rental income of the Properties for the Relevant Period is as follows:

	For the year ended 31 March			**For the six months ended 30 September**
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
5th floor	–	–	105	630
7th floor	–	25	1,088	690
12th floor	–	–	1,010	606
Three car parking spaces	–	–	–	–

Notes:

1. The financial information in relation to the Properties set out above is prepared using accounting policies which are materially consistent with those of the Group as set out in the published annual report of the Company for the year ended 31 December 2016.

2. The rental income for the Relevant Period is compiled from the Subsisting Tenancies provided by the Properties Sellers.

3. The Company engaged PricewaterhouseCoopers, the auditor of the Company, to conduct certain agreed upon procedures on the rental income of the Properties for the Relevant Period in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The procedures have been determined by and are the responsibility of the Directors. The auditor of the Company performed the procedures as summarised below:

   (i) the auditor obtained the Subsisting Tenancies from the Company. The Subsisting Tenancies were provided by the Properties Sellers to the Group;

(ii) the auditor obtained a schedule setting out the floor, names of tenants, lease period, annual rental and the corresponding rental income in respect of each Subsisting Tenancies for the Relevant Period (the "**Rental Income Summary**") prepared by the Company and compared the information as shown in the Rental Income Summary with the corresponding information shown in the Subsisting Tenancies;

(iii) the auditor recalculated the amounts of the rental income for the Relevant Period presented on the Rental Income Summary based on the information set out in the Subsisting Tenancies and the formula stated in the Rental Income Summary;

(iv) the auditor checked the arithmetic accuracy of the total amount of rental income for the Relevant Period shown in the Rental Income Summary; and

(v) the auditor compared the total amount of rental income for the Relevant Period shown in the Rental Income Summary to the corresponding amount shown in the unaudited financial information of the Properties.

The auditor has performed the above agreed-upon procedures set out in the relevant engagement letter with the Company and reported its factual findings based on the agreed-upon procedures to the Company. Pursuant to the terms of the relevant engagement letter between the Company and the auditor, the reported factual findings should not be used or relied upon by any other parties for any purpose. After reviewing the findings reported by PricewaterhouseCoopers, the Directors are of the opinion that the rental income has been properly compiled based on the information from the Subsisting Tenancies and the Rental Income Summary.

The above procedures do not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA. Consequently, no assurance is provided by the auditor of the Company on the unaudited financial information of the Properties disclosed in this circular and the rental income for the Relevant Period.

Pursuant to the Subsisting Tenancies, the tenants are responsible for electricity, telephone, water and other similar charges in respect of the Properties while the landlords are responsible for building management fee, government rent and rates. Based on (i) the information of rateable value of the Properties for the year of assessment 2017-18 obtained from the Rating and Valuation Department; and (ii) the information of building management fee per square feet of 8th floor of LMK Development Estate and the saleable area of the respective Properties, the Directors have estimated the annual outgoings of the Properties as follows:

	Building management fee				Government rent and rates			
	For the year ended 31 March			For the six months ended 30 September	For the year ended 31 March			For the six months ended 30 September
	2015	2016	2017	2017	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$' 000*	*HK$'000*
5th floor	78	78	78	41	63	63	63	32
7th floor	78	78	78	41	63	63	63	32
12th floor	78	78	78	41	63	63	63	32
Three car parking spaces	5	5	5	3	8	8	8	4

As the Company and the Company's auditors are unable to gain full access to the underlying books and records of the Properties, the Company is only able to provide an estimate of the annual outgoings relating to the Properties based on the above information. The financial information in relation to the Properties set out above is prepared using accounting policies which are materially consistent with those of the Group.

Having taken into account the above disclosures of financial information of the Properties, the Directors consider the omission of a profit and loss statement for the Properties's net income stream for the Relevant Period would not render this circular materially incomplete, misleading or deceptive.

VALUATION OF THE PROPERTIES

No valuation of the Properties for each of the financial year end and the period end within the Relevant Period has been disclosed herein as the Company has not been able to obtain the valuation reports in respect of the Properties from the Properties Sellers. Instead a valuation of the Properties as at 30 November 2017 as appraised by an independent valuer is prepared and set out in the appendix VII to this circular.

Set out below is the management discussion and analysis of the Target Companies for each of the three years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 (the "**Relevant Period**"), for the purpose of this appendix only.

BUSINESS REVIEW

Target Company A

Target Company A is a company incorporated in Hong Kong with limited liability. The principal activity of the Target Company A is property investment which has a property interest in 6th floor of LMK Development Estate. It is currently occupied by independent parties at a licence fee of HK$82,500 per month and is expected to be leased out for rental income after Completion.

Target Company B

Target Company B is a company incorporated in Hong Kong with limited liability. The principal activity of the Target Company B is property investment which has a property interest in 8th floor of LMK Development Estate. It is currently occupied by a related company of the Target Company B and is expected to be leased out for rental income after Completion.

RESULTS OF OPERATIONS

Target Company A

Set out below is the key financial information of the Target Company A:

	For the year ended 31 March			For the six months ended 30 September
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	900	900	975	495
Fair value gains/(losses) on investment property	2,300	(1,100)	5,300	2,400
Administrative expenses	(130)	(131)	(223)	(159)
Finance costs	(213)	(201)	(188)	(90)
Profit/(loss) for the year/period	2,865	(531)	5,847	2,646

For the three years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017, revenue of the Target Company A was generated from the leasing/licence of 6th floor of LMK Development Estate. Fair value gains/(losses) on investment property represented the fair value gains/(losses) of the 6th floor of LMK Development Estate. The Target Company A incurred administrative expenses (which mainly comprised building management fees and government rent and rates) and finance costs (which mainly comprised interests for bank loan) during the Relevant Period. The bank loan was repaid gradually during the Relevant Period. Hence, the finance costs decreased gradually.

Target Company B

Set out below is the key financial information of the Target Company B:

	For the year ended 31 March			For the six months ended 30 September
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	1,002	858	360	180
Other gains/(losses)	2,900	(1,240)	5,200	2,200
Administrative expenses	(145)	(135)	(145)	(76)
Finance costs	(655)	(327)	(320)	(160)
Profit/(loss) for the year/period	3,102	(873)	5,095	2,144

For the three years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017, revenue of the Target Company B was generated from the leasing of a car parking space (for the two years ended 31 March 2015 and 2016 only) and 8th floor of LMK Development Estate to its related company. Since the car parking space was disposed of in August 2015, the revenue has decreased during the Relevant Period. Other gains/(losses) mainly represented fair value gains/(losses) on 8th floor of LMK Development Estate held by the Target Company B. The Target Company B incurred administrative expenses (which mainly comprised building management fees and government rent and rates) and finance costs (which comprised interests for bank loan and interests for loan from a related company) during the Relevant Period. Since the bank loan was repaid in full and the interest rate charged by the related company reduced during the Relevant Period, the finance costs decreased gradually.

FINANCIAL REVIEW

Liquidity, financial resources and funding

Target Company A

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Target Company A had cash and cash equivalents and bank loan as follow:

	As at 31 March			As at 30 September
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	341	128	40	23
Bank loan	6,347	5,958	5,555	5,350

The bank loan was secured by the Target Company A's investment property with net book amount of HK$32,000,000, HK$30,900,000, HK$36,200,000 and HK$38,600,000 as at 31 March 2015, 2016 and 2017 and 30 September 2017, respectively. The maturity profile of the bank loan set out as follows:

	As at 31 March			As at 30 September
	2015	**2016**	**2017**	**2017**
Repayable	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	389	403	416	423
After 1 year but within 2 years	403	416	430	437
After 2 years but within 5 years	1,289	1,331	1,375	1,398
Over 5 years	4,266	3,808	3,334	3,092
	6,347	5,958	5,555	5,350

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Target Company A's cash and cash equivalents are deposited in Hong Kong Dollars and the Target Company A's bank loan is in Hong Kong Dollars. The bank loan was granted to the Target Company A on a floating rate basis.

The following table sets out the Target Company A's gearing ratio as at 31 March 2015, 2016 and 2017 and 30 September 2017:

	As at 31 March			As at 30 September
	2015	**2016**	**2017**	**2017**
Gearing ratio	39.4%	38.3%	25.9%	22.2%

The gearing ratio is calculated on the basis of the Target Company A's bank loan over total equity.

Target Company B

As at 31 March 2015, 2016 and 2017 and 30 September 2017, the Target Company B had cash and cash equivalents, bank loan and loan from a related company as follow:

	As at 31 March			As at 30 September
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	4	23	23	23
Bank loan	595	–	–	–
Loan from a related company	16,000	16,000	16,000	16,000

The bank loan was secured by the Target Company B's investment property with net book amount of HK$2,012,000 as at 31 March 2015. The loan from a related company was unsecured and repayable on demand. The maturity profile of the bank loan set out as follows:

	As at 31 March			As at 30 September
	2015	**2016**	**2017**	**2017**
Repayable	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	40	–	–	–
After 1 year but within 2 years	41	–	–	–
After 2 years but within 5 years	128	–	–	–
Over 5 years	386	–	–	–
	595	–	–	–

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Target Company B's cash and cash equivalents are deposited in Hong Kong Dollars and the Target Company B's bank loan and loan from a related company are in Hong Kong Dollars. The bank loan was granted to the Target Company B on a floating rate basis. The loan from a related company was charged with interest at 4%, 2%, 2% and 2% per annum for the three years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017, respectively.

The following table sets out the Target Company B's gearing ratio as at 31 March 2015, 2016 and 2017 and 30 September 2017:

	As at 31 March			As at 30 September
	2015	2016	2017	2017
Gearing ratio	101.2%	103.1%	77.6%	70.3%

The gearing ratio is calculated on the basis of the aggregate value of the Target Company B's bank loan and loan from a related company over the total equity.

SEGMENTAL INFORMATION

The operation of the Target Companies represents a single operating and reportable segment, which is property investment. As such, there is no segment information available for the three years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017.

CAPITAL STRUCTURE

During the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017, there was no material change in the Target Companies' capital structure. The Target Companies generally finance its operations and investing activities by bank loan and funding from related companies and its directors.

FOREIGN EXCHANGE EXPOSURE

The Target Companies' income and monetary assets and liabilities are denominated in Hong Kong Dollars. The directors of the Target Companies considered that the foreign exchange exposure of the Target Companies is minimal.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Target Companies have no plan for material investments or capital assets for the years ended 31 March 2015, 2016, 2017 and ending 31 March 2018.

EMPLOYEE INFORMATION

As at 31 March 2015, 2016 and 2017 and 30 September 2017, there was no full-time employee employed by the Target Companies.

CONTINGENT LIABILITIES

Target Company A

The Target Company A pledged its investment property to the bank as part of the securities for general banking facilities granted to its related companies. As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, total banking facilities of HK$16,000,000, HK$16,000,000, HK$40,000,000 and HK$40,000,000 were granted to its related companies.

Target Company B

The Target Company B pledged its investment property to the bank as part of the securities for general banking facilities granted to its related company. As at 31 March 2015, 31 March 2016, 31 March 2017 and 30 September 2017, total banking facilities of HK$57,460,000 were granted to its related company.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Introduction

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group ("Unaudited Pro Forma Financial Information"), which has been prepared based on the notes set forth below to illustrate the effect of the Acquisitions as if the Acquisitions had taken place on 30 June 2017.

The Unaudited Pro Forma Financial Information has been prepared by the Company for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisitions been completed as at 30 June 2017, or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

Unaudited pro forma consolidated statement of assets and liabilities

	The Group as at 30 Jun 2017	Target Company A as at 30 Sept 2017	Target Company B as at 30 Sept 2017	Pro forma adjustments						The Enlarged Group
	HK'000	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*	*HK'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	
ASSETS AND LIABILITIES										
Non-current assets										
Property and equipment	3,421	–	–							3,421
Investment properties	66,500	38,600	39,600	130,943		(3,000)			1,643	274,286
Investment property under development	415,000	–	–							415,000
Deferred taxation assets	1,650	–	–							1,650
	486,571	38,600	39,600							694,357
Current assets										
Trade and other receivables	307,088	–	6							307,094
Tax recoverable	1,589	–	–							1,589
Cash and bank balances	710,524	23	23	(130,943)			(75,200)	172		504,599
	1,019,201	23	29							813,282
Current liabilities										
Trade and other payables	295,196	165	11						1,643	297,015
Bank loan	6,767	5,350	–		(5,350)					6,767
Amount due to directors	–	7,133	832		5,350		(13,315)			–
Amounts due to related companies	–	1,902	–				(1,902)			–
Loan from a related company	–	–	16,000				(16,000)			–
Taxation payable	11,519	19	29							11,567
	313,482	14,569	16,872							315,349
Net current assets/(liabilities)	705,719	(14,546)	(16,843)							497,933
Non-current liabilities										
Deferred taxation liabilities	736	–	–							736
Convertible note	172,008	–	–							172,008
	172,744	–	–							172,744
Net assets	1,019,546	24,054	22,757							1,019,546

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the unaudited condensed consolidated financial statements of the Group as set out in the interim report of the Company for the six months ended 30 June 2017.

2. The amounts are extracted from the financial information of the Target Companies for the six months ended 30 September 2017, as set out on Appendices IIa and IIb to the Circular.

3. The adjustment represents the accounting treatments in relation to the acquisitions of the Properties as if the acquisitions were completed on 30 June 2017.

   The Properties would be classified as investment properties in the accounts as the Group intends to hold the Properties for rental/or capital appreciation purposes.

   The costs of the Properties is shown as follows:

	HK$'000
Purchase prices of the Properties	120,800
Stamp duty	10,143
	130,943

4. Pursuant to the Target Companies Acquisitions Agreements, the Target Companies Sellers agreed to repay all mortgage loans owing by the Target Companies on or before the Completion.

   The adjustment reflects the repayment of the mortgage loans by the Target Companies Sellers as if the Acquisitions had been completed as at 30 June 2017.

5. The amount represents the adjustment on the investment properties held by the Target Companies to reflect the value of these investment properties as if they had been measured initially at the consideration paid.

6. The adjustment represents the consideration assumed to be paid by the Group in cash with respect to the acquisition of (i) the entire issued shares of the Target Companies and (ii) assignment of Sale Debt assuming that the Completion had taken place on 30 June 2017.

7. Pursuant to the Target Companies Acquisition Agreements, the Target Companies Consideration will be subject to the Cash Adjustment, which will be equivalent to the net tangible asset value of the Target Companies as at the Completion Date.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Cash Adjustment was based on the net amount of the net tangible assets of the Target Companies as at 30 September 2017.

   Cash adjustment to be settled by the Target Companies Sellers:

	HK$'000
Other receivables	6
Cash and bank balances	46
Less:	
Other payables	(176)
Taxation payable	(48)
Cash adjustment to be settled by the Target Companies Sellers	(172)

8. The adjustment is made to reflect the accrual for the estimated transaction costs, such as professional fees and printing costs, of approximately HK$1,643,000 that are directly attributable to the Acquisitions.

9. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Midland IC&I Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Midland IC&I Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), Champion Shine International Limited and Dragon Magic Investments Limited (the "**Target Companies**"), and 5/F, 7/F and 12/F and three car parking spaces of LMK Development Estate, 10/16 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong (the "**Properties**") (collectively the "**Enlarged Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2017, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages V-1 to V-4 of the Company's circular dated 23 January 2018, in connection with the proposed acquisition of the Target Companies and the Properties (the "**Transaction**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages V-1 to V-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2017 as if the Transaction had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2017, on which a review report has been issued.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 23 January 2018

1. WORKING CAPITAL

Taking into account of the financial resources available to the Enlarged Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

2. INDEBTEDNESS

The Group

As at the close of business on 30 November 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had unsecured zero coupon convertible note of approximately HK$172.9 million with principal amount of HK$200.0 million and outstanding bank loan of approximately HK$6.4 million, which was secured by the Group's investment properties with a net carrying value of approximately HK$66.5 million as at 30 June 2017.

Target Company A

As at the close of business on 30 November 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, Target Company A had total indebtedness of approximately HK$14.4 million. Details of the total indebtedness are summarised below:

	HK$ million
Secured bank loan	5.3
Amount due to a director (unsecured)	7.1
Amounts due to related companies (unsecured)	2.0
	14.4

Amounts due to a director and related companies are unsecured, interest free and repayable on demand.

At the close of business on 30 November 2017, investment property of Target Company A with a net carrying value of approximately HK$38.6 million as at 30 September 2017 had been pledged to bank to secure the bank loan granted to Target Company A and general facilities granted to related companies of HK$40.0 million.

Target Company B

As at the close of business on 30 November 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, Target Company B had total indebtedness of approximately HK$16.9 million. Details of the total indebtedness are summarised below:

	HK$ million
Amount due to a director	0.9
Loan from a related company	16.0
	16.9

Amount due to a director is unsecured, interest free and repayable on demand.

Loan from a related company is unsecured, interest bearing at 2% per annum and repayable on demand.

At the close of business on 30 November 2017, investment property of Target Company B with a net carrying value of approximately HK$39.6 million as at 30 September 2017 had been pledged to bank to secure general facilities granted to a related company of HK$57.5 million.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 30 November 2017, the Enlarged Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Pursuant to the Target Companies Acquisition Agreements, the Target Companies Sellers agreed to repay all mortgage loans owed by the Target Companies and to release the charges over the Property Interests on or before the Completion, and the Target Companies Purchasers have agreed to take up the assignment of the rights to all debts owe by the Target Companies to the Target Companies Sellers and their respective associates (if any) as at the Completion Date. As a result, the indebtedness of the Target Companies shown above will be fully settled on or before the Completion.

3. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

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. Looking ahead, the overall business environment of the Group's property agency business remains challenging due to the uncertainties of local and global economics.

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 Group to further broaden the income source and avoid reliance on its volatile agency fee income. In addition, the Group may also enjoy the possible capital appreciation of the Entire Properties.

The financial position of the Enlarged Group remains solid and healthy. The Group will continue to seek investment opportunities, further expand the Group's sources of revenue, enhance the Group's profitability, and maximise return for its shareholders.

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Limited, an independent valuer, in connection with its valuation as at 30 November 2017 of the Entire Properties.

JLL
仲量聯行

Jones Lang LaSalle Limited
Valuation Advisory Services
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tel +852 2846 5000 fax +852 2968 0078
Company Licence No.: C-003464

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ISO 9001 : 2008
Certificate No.: CC 568

Our ref.: 2/18/00021
DC/KEL/ANC/cn

23 January 2018

The Directors
Midland IC&I Limited
Rooms 2505-8
25/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

Dear Sirs,

Re: Valuation of Factory Units on 5th, 6th, 7th, 8th and 12th Floors and Car Parking Space Nos. 12, 13 and 14 on Ground Floor, LMK Development Estate, Nos. 10/16 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong

1.0 INTRODUCTION

1.1 Instruction

We refer to the instructions from Midland IC&I Limited ("**the Company**") for us to carry out market valuation of the property interests located at **Factory Units on 5th, 6th, 7th, 8th and 12th Floors and Car Parking Space Nos. 12, 13 and 14 on Ground Floor, LMK Development Estate, Nos. 10/16 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong** ("**the Properties**") as at 30 November 2017 ("**the date of valuation**") for public disclosure purposes.

According to the announcement made by the Company dated 28 November 2017, the wholly-owned subsidiaries of the Company have entered into agreements to acquire the property interests of 5th, 7th and 12th Floors and Car Parking Space Nos. 12, 13 and 14 on Ground Floor of LMK Development Estate and 2 companies known as Champion Shine International Limited and Dragon Magic Investments Limited (the "**Target Companies**"). The principal assets of the Target Companies are 6th and 8th Floors of LMK Development Estate. The aggregate consideration of the acquisitions was HK$196 million.

We are instructed to assess the market value of the Properties as a single property interest in their existing state subject to existing tenancies/licence as at the date of valuation.

We confirm that we have been arranged to carry out an inspection of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of the market values of the unencumbered leasehold property interest as at the date of valuation.

1.2 Basis of Valuation

Unless otherwise stated, our valuation has been prepared in accordance with "HKIS Valuation Standards 2017 Edition" published by The Hong Kong Institute of Surveyors ("**HKIS**"), the "International Valuation Standards 2017" published by the International Valuation Standards Council ("**IVSC**") and the "RICS Valuation — Global Standards 2017" published by the Royal Institution of Chartered Surveyors ("**RICS**") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards. We have also complied with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our valuation of the property interest is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The valuation presented in this report represents the 100% interest of the Properties and not the shareholdings of the companies holding the property interest thereof. We have valued the Properties as a single property interest and have ignored the potential effect of selling and leasing the Properties on a strata title basis.

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9001:2015 and our report has been prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation attached in Appendix No. 1.

1.3 Valuation Assumptions

Our valuation of the market value have been made on the assumption that the owner sells the property interests on the market without the benefit of a deferred terms contract, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting sales or lettings. Unless otherwise stated, it is assumed that the property interests are free of legal complications and encumbrances, restrictions, outgoings of an onerous nature which could affect their values.

1.4 Valuation Methodology

For the valuation of the Properties, we have adopted the income capitalization method and the direct comparison method.

The income capitalization method is based on the capitalization of the fully leased, current passing rental income and potential reversionary income potential of the property from the date of valuation at appropriate capitalization rate to arrive at the capital value. The capitalization rate is derived from analysis of investment sale transactions and our interpretation of prevailing investor requirements or expectations. The market rents adopted in our valuation have been obtained through our analysis of the prevailing achievable rentals within the subject development and the lettings of comparable properties in the vicinity.

The direct comparison method is a method of valuation based on comparing the property to be valued directly with other comparable properties that have recently transacted. Comparable premises are generally located in the surrounding areas or in other sub-markets which are comparable to that of the property. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative difference that may affect the price/rental likely to be achieved by the property under consideration.

1.5 Sources of Information

We have relied to a very considerable extent on the information provided, including tenancy/licence details of the Properties. We have also obtained relevant information available from public domains including the Land Registry and the Buildings Department and have accepted advice given to us on matters such as statutory notices, planning approvals, easements, floor plans, floor areas, tenure, particulars of occupancy and all other relevant matters. We have assumed that all information provided to us is correct.

We have not been instructed to independently verify the information provided to us. Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should it be established subsequently that the details relating to the Properties are incorrect or inadequate, we reserve the right to adjust the value reported herein.

The dimensions, measurements and areas included in the report are based on information provided by the Company and contained in copies of documents obtained from the Land Registry and the Buildings Department and are therefore approximations. We have not carried out on-site measurements to verify the correctness of the areas of the Properties.

1.6 Measurements

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. To suit the local practice, we declare our departure from the "RICS property measurement" published by RICS in May 2015. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the Registered Floor Plans if available.

1.7 Title Investigation

We have not been provided with copies of the title documents relating to the Properties but we have conducted land searches of the Properties with the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. We have not seen original planning consents and have assumed that the Properties have been erected, being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

1.8 Property Inspection

No internal inspection of the Properties could be made available to us. As instructed, we carried out external inspection of the Properties and inspected its surrounding environment on 11 December 2017. The inspection was conducted by Mr. Ken Lam MHKIS, MRICS, RPS(GP), National Director of Valuation Advisory Services of Jones Lang LaSalle Limited. We have not conducted formal site and structural surveys and, as such we cannot report that the Properties are free from rot, infestation or any other structural defects. We have not carried out building survey, nor have we inspected those parts of the Properties which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of parts we had not inspected and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services within the Properties.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the

Properties, or has since been incorporated, and we are therefore unable to report that the Properties are free from risk in this respect. For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent.

1.9 Site Investigation

We have not carried out any investigations on site in order to determine the suitability of ground conditions and services etc. for future redevelopment or renovation, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction or renovation period.

In the course of our valuation, we have assumed that no contamination affects the Properties or the neighbouring land. However, should it be established subsequently that contamination exists at the Properties or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

1.10 Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' industrial and commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

1.11 Valuer

This valuation report was prepared by Mr. Ken Lam MHKIS, MRICS & RPS(GP), National Director assisted by Ms. Angie Chan, MHKIS, Manager under the supervision of Ms. Dorothy Chow MHKIS, MRICS & RPS(GP), Regional Director of the department.

We confirm that Ms. Dorothy Chow, Mr. Ken Lam and Ms. Angie Chan are in the position to provide an objective and unbiased valuation and are competent to undertake the valuation assignment.

1.12 Report

Our valuation certificate is attached hereto.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited

Dorothy Y.Y. Chow
B.Sc. (Hons), MSc, MRICS, MHKIS, RPS(GP)
Regional Director
Licence No.: E-182969

Note: Ms. Dorothy Y.Y. Chow, MHKIS MRICS RPS(GP), is a qualified general practice surveyor and has 19 years of experience in the valuation of properties in Hong Kong.

2.0 VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 2017
Factory Units on 5th, 6th, 7th, 8th and 12th Floors and Car Parking Space Nos. 12, 13 and 14 on Ground Floor, LMK Development Estate, Nos. 10/16 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong An aggregate of 153/496th shares of and in Kwai Chung Town Lot No. 139 (KCTL 139)	The Properties comprise 5 factory units occupying the whole of 5th to 8th and 12th Floors together with 3 car parking spaces on Ground Floor of LMK Development Estate ("**the Building**") at Kwai Ting Road in the Kwai Chung district. Kwai Chung district is an established industrial area undergoing a transition to a business zone. The Building is a 15-storey industrial block completed in 1973 (Occupation Permit No. N.T. 81/73) with vehicular entrance at Kwai Ting Road. Construction of the Building is of reinforced concrete with painted external elevations. Vertical movement is facilitated by 2 cargo lifts, 1 passenger's lift and 2 staircases. As quoted from the building plans approved on 26 April 1973, floor-to-floor height and the floor loading capacity of the factory units is 10.5 feet (3.2 metres) and 150 lbs/ft^2 respectively. As quoted from the building plans approved on 26 April 1973, the total gross floor area of the factory units of the Properties is about 53,935 ft^2 (5,010.68 m^2) and the measured saleable area is about 44,860 ft^2 (4,167.60 m^2).	According to the information given, 5th, 7th and 12th Floors have been leased to various tenants with the latest tenancy expiry on 28 February 2020. Total monthly rentals receivable from these floors as at the date of valuation was HK$321,000. Besides, 6th floor has been occupied by independent third parties at a licence fee of HK$82,500 per month. 8th Floor was occupied by a related party of the registered owner and the car parking spaces were occupied by the owner.	5th Floor HK$39,900,000 (HONG KONG DOLLARS THIRTY NINE MILLION AND NINE HUNDRED THOUSAND) 6th Floor HK$38,600,000 (HONG KONG DOLLARS THIRTY EIGHT MILLION AND SIX HUNDRED THOUSAND) 7th Floor HK$39,800,000 (HONG KONG DOLLARS THIRTY NINE MILLION AND EIGHT HUNDRED THOUSAND) 8th Floor HK$39,600,000 (HONG KONG DOLLARS THIRTY NINE MILLION AND SIX HUNDRED THOUSAND) 12th Floor HK$39,300,000 (HONG KONG DOLLARS THIRTY NINE MILLION AND THREE HUNDRED THOUSAND) Car Parking Space Nos. 12, 13 and 14 on Ground Floor HK$4,800,000 (HONG KONG DOLLARS FOUR MILLION AND EIGHT HUNDRED THOUSAND)

Property	Description and tenure	Particulars of occupancy	Market Value as at 30 November 2017
Factory Units on 5th, 6th, 7th, 8th and 12th Floors and Car Parking Space Nos. 12, 13 and 14 on Ground Floor, LMK Development Estate, Nos. 10/16 Kwai Ting Road, Kwai Chung, New Territories, Hong Kong	KCTL 139 is held from the Government under New Grant No. TW4734 for a term of 99 years commencing from 1 July 1898. The term has been statutorily renewed to expire on 30 June 2047 pursuant to the New Territories Leases (Extension) Ordinance. The Government rent payable for the Properties is an amount equivalent to 3% of the prevailing rateable values of the Properties.	–	–

Notes:

(1) The registered owners of the Properties are:

Address/Car Parking Space(s) (CPS)	Registered Owner(s)	Instrument	Consideration	Memorial No.
5th Floor	New Night Lighting Manufacturing Limited	Assignment dated 7 December 2012	HK$16,300,000	12121900860042
6th Floor	Champion Shine International Limited	Assignment dated 7 December 2012	HK$16,300,000	12121900860075
7th Floor	Buttons International Limited	Assignment dated 7 December 2012	HK$13,800,000	12121900860105
8th Floor	Dragon Magic Investments Limited	Assignment dated 7 December 2012	HK$16,300,000	12121900860136
12th Floor	New Mind Holdings Limited	Assignment dated 7 December 2012	HK$13,800,000	12121900860160
CPS No. 12	Lai Hung Cheong and Chim Lai Lai (Joint Tenants)	Assignment dated 7 December 2012	HK$500,000	12121900860192
CPS No. 13		Assignment dated 7 December 2012	HK$500,000	12121900860200
CPS No. 14		Assignment dated 7 December 2012	HK$500,000	12121900860210

(2) The following encumbrances were registered against the Properties as at the date of valuation:

- Undertaking dated 15 February 1971 vide Memorial No. TW87326.
- Layout Plan registered on 27 February 1973 vide Memorial No. TW101086.
- Letter with Layout Plan in favour of HKD Estate Agents Limited dated 20 August 1974 vide Memorial No. TW115698.
- Deed of Mutual Covenant dated 26 August 1977 vide Memorial No. TW147878.
- No Objection Letter in respect of Flat B on 5th Floor dated 4 January 1982 vide Memorial No. TW241077 in relation to the use of an area of approximately 54.7m^2 within the unit for the provision of canteen facilities.
- Tripartite Legal Charge/Mortgage for all monies in favour of China Citic Bank International Limited in respect of 5th Floor dated 24 April 2014 vide Memorial No. 14050801010195.

- Rental Assignment in favour of China Citic Bank International Limited in respect of 5th Floor dated 24 April 2014 vide Memorial No. 14050801010202.
- Mortgage for all moneys in favour of DBS Bank (Hong Kong) Limited in respect of 6th Floor dated 14 June 2013 vide Memorial No. 13062100880017.
- Second Mortgage for all moneys in favour of DBS Bank (Hong Kong) Limited in respect of 6th Floor dated 14 June 2013 vide Memorial No. 13062400800010.
- Lease in favour of Shilihe Design Company Limited in respect of 6th Floor for a term of 8 years from 1 December 2013 to 30 November 2021 at a rent of HK$75,000 per month dated 23 September 2013 vide Memorial No. 13100401040084. We noted from the Company Registry that "Shilihe Design Company Limited" was dissolved on 8 January 2016. We have been advised that licence fee has still been collected by the owner since then.
- Legal Charge/Mortgage for all monies in favour of China Citic Bank International Limited in respect of 7th Floor dated 24 April 2014 vide Memorial No. 14050801010119.
- Rental Assignment in favour of China Citic Bank International Limited in respect of 7th Floor dated 24 April 2014 vide Memorial No. 14050801010120.
- Tripartite Legal Charge/Mortgage for all monies in favour of China Citic Bank International Limited in respect of 8th Floor dated 24 April 2014 vide Memorial No. 14050801010077.
- Rental Assignment in favour of China Citic Bank International Limited in respect of 8th Floor dated 24 April 2014 vide Memorial No. 14050801010082.
- Tripartite Legal Charge/Mortgage for all monies in favour of China Citic Bank International Limited in respect of 12th Floor dated 24 April 2014 vide Memorial No. 14050801010150.
- Rental Assignment in favour of China Citic Bank International Limited in respect of 12th Floor dated 24 April 2014 vide Memorial No. 14050801010160.
- Tripartite Legal Charge/Mortgage for all monies in favour of China Citic Bank International Limited in respect of Car Parking Space Nos. 12, 13 and 14 on Ground Floor dated 24 April 2014 vide Memorial No. 14050801010039.
- Rental Assignment in favour of China Citic Bank International Limited in respect of Car Parking Space Nos. 12, 13 and 14 on Ground Floor dated 24 April 2014 vide Memorial No. 14050801010040.

(3) The Properties are currently zoned under Draft Kwai Chung Outline Zoning Plan No. S/KC/28 exhibited on 13 June 2014 ("**the OZP**") for "Other Specified Uses" annotated "(Business)" purposes.

(4) At the time of our external inspection on 11 December 2017, we noted that the exteriors and the accessible common areas of the subject development were maintained in an average condition.

Appendix No. 1

General Principles of Valuation

GENERAL PRINCIPLES ADOPTED IN THE PREPARATION AND CONDITIONS THAT APPLY TO AND FORM PART OF HONG KONG VALUATIONS AND REPORTS

This document sets out the general principles upon which our Valuations and Reports are normally prepared, and the conditions that apply to and form part of our Valuations and Reports. They apply unless we have specifically mentioned otherwise in the body of the report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, where appropriate, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries. Any variations to these general principles and/or conditions must be confirmed in writing.

Our Valuations and Reports are confidential to, and for the use only of, the party to whom they are addressed and for the stated specific purpose. No responsibility whatsoever is accepted to any third parties who may use or rely on the whole or any part of the contents of any such Valuation or Report. The whole or any part of the Valuation or Report, or reference thereto, must not be published or referred to in any document, statement, circular, or in any communication with third parties, without our prior written approval of the form and context in which it will appear.

1. Valuation Methodology:

All work is carried out in accordance with the "HKIS Valuation Standards 2017 Edition" published by The Hong Kong Institute of Surveyors ("**HKIS**"), the "International Valuation Standards 2017" published by the International Valuation Standards Council ("**IVSC**") and the "RICS Valuation — Global Standards 2017" published by the Royal Institution of Chartered Surveyors ("**RICS**") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

Compliance with the RICS standards may be subject to monitoring under the RICS' conduct and disciplinary regulations.

2. Valuation Basis:

Our valuations are made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuations are made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture or similar arrangement which would serve to affect the value of the property.

Each valuation is current as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of preceding half of this paragraph, we do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the date of valuation.

3. Costs:

No allowances are made in our valuations for dealing with any encumbrances such as charges, mortgages, nor for amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale or disposal.

4. Source of Information:

We accept as being complete and correct the information provided to us, by the sources listed, as to details of tenure, tenancies, tenant's improvements, planning consents and other relevant matters, as summarized in our report.

5. Assumptions:

Unless we state otherwise in the valuation, our valuation assumes (without investigation on our part), where applicable,

(a) good and marketable title, and no encumbrance on the property's title which could materially affect its value,

(b) no encroachment by or on the property and no unauthorized additions or structural alterations (our valuation is made according to the original layout as shown in the Registered Floor Plans or developer's brochure and assumes no outstanding reinstatement costs to be charged on the property),

(c) no major environmental factor (including contamination) affects the property,

(d) no deficiencies in the structural integrity of the property and other improvements,

(e) the property is not affected or required for any public purposes or is to be acquired for a public purpose,

(f) there are no outstanding statutory orders on the property or the likely possibility of future orders being made by a regulatory authority,

(g) body corporate records and finances are in a satisfactory order and there are no major financial commitments, orders or levies in respect of any major rectifications, remedial or other works to be undertaken by the body corporate above normal maintenance,

(h) no material litigation pending relating to the property,

(i) that the property (and any works thereto) comply with all relevant statutory regulations, including enactments relating to fire regulations,

(j) no deleterious materials (including by way of example asbestos and calcium chloride),

(k) ground conditions and services are suitable (including, particularly with respect to agricultural land, no possibility of latent infestation in the soil or of disease which might affect crops or stock at any time in the future) and no extraordinary expenses or delays will be incurred due to archaeological, ecological or environmental matters.

Without affecting the generality of the above, where leases or documents of title or site and building surveys or building report or pest certificate or engineer's certificate or body corporate records are provided to us for the purpose of the valuation, reliance must not be placed on our interpretation thereof of any of these documents.

6. Tenants/Licensees:

Enquiries as to the financial standing of actual or prospective tenants/licensees are not made unless we specifically agree to in writing. Where properties are valued with the benefit of lettings or licence, it is therefore assumed, unless we are informed otherwise in writing, that the tenants/licensees are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

7. Measurements:

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. To suit the local legislation and/or our client's requests, we declare our departure from the "RICS property measurement" published by RICS in May 2015. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the Registered Floor Plans if available.

8. Jurisdiction:

Unless the parties otherwise agree in writing, all disputes arising out and relating to our valuation shall be finally settled under Hong Kong Law and the parties irrevocably submit to the jurisdiction of the Hong Kong Courts.

****

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 Group, the Target Companies and the Properties. 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(a) Directors' and chief executive's interest in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests and short positions of each of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Nature of interest/ Capacity	Number of ordinary Shares	Number of underlying Shares	Total	Approximate percentage of the issued voting Shares
Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	527,697,680 *(Note 1)*	434,782,608 *(Note 2)*	962,480,288	53.31%
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	2,000,000	1,500,000 *(Note 3)*	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 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 issued by the Company pursuant to an acquisition agreement dated 10 January 2017 (the "**Acquisition Agreement**").

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 as follows:

Date of grant	Exercise price per Share *HK$*	Number of share options outstanding	Exercisable period
10 December 2014	0.44	500,000	15 December 2014 to 14December 2019
10 December 2014	0.44	500,000	15 December 2015 to 14 December 2019
10 December 2014	0.44	500,000	15 December 2016 to 14 December 2019

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, to be notified to the Company and the Stock Exchange.

2.1(b) Substantial Shareholders' and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the substantial Shareholders and other persons, other than the Directors and chief executive of the Company, in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares

Name of substantial Shareholder	Number of ordinary Shares/ underlying Shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting Shares
Midland Holdings Limited ("**Midland Holdings**")	610,976,997 *(Note 1)*	Interest of controlled corporation/Corporate interest	33.84%
Valuewit Assets Limited ("**Valuewit**")	610,976,997 *(Note 1)*	Beneficial owner/ Beneficial interest	33.84%

Name of substantial Shareholder	Number of ordinary Shares/ underlying Shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting Shares
Luck Gain Holdings Limited (“**Luck Gain**”)	869,565,216 *(Note 2)*	Interest of controlled corporation/Corporate interest	48.16%
Wealth Builder Holdings Limited (“**Wealth Builder**”)	869,565,216 *(Note 2)*	Beneficial owner/ Beneficial interest	48.16%
Mr. WONG Kin Yip, Freddie *(Note 5)*	12,245,000 *(Note 3)*	Beneficial owner/ Beneficial interest	0.68%
	950,235,288 *(Note 4)*	Interest of controlled corporation/Corporate interest	52.63%

Notes:

1. Midland Holdings was deemed to be interested in the 610,976,997 Shares held by its indirectly wholly-owned subsidiary, Valuewit, under the SFO.

2. Luck Gain, which is directly wholly-owned by Mr. WONG Kin Yip, Freddie, was deemed to be interested in the 434,782,608 Shares and 434,782,608 underlying Shares held by its directly wholly-owned subsidiary, Wealth Builder under the SFO. Such interests in underlying Shares (being unlisted physically settled derivatives) represent 434,782,608 Shares to be issued to Wealth Builder upon exercise 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 issued by the Company pursuant to the Acquisition Agreement.

3. Such long position includes interests in ordinary Shares only.

4. Mr. WONG Kin Yip, Freddie was deemed to be interested in the (i) 80,670,072 Shares held by Sunluck Services Limited which is indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his directly wholly-owned company, namely Southern Field Trading Limited; and (ii) 434,782,608 Shares and 434,782,608 underlying Shares held by Wealth Builder as mentioned in note 2 above, under the SFO.

5. The 527,697,680 Shares and 434,782,608 underlying Shares held by Mr. WONG Kin Yip, Freddie relate to the same block of Shares and underlying Shares as disclosed under Ms. TANG Mei Lai, Metty in the paragraph headed “2.1(a) Directors’ and chief executive’s interest in Shares, underlying Shares and debentures”.

Save as disclosed above, as at the Latest Practicable Date, no other substantial Shareholder or persons had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

2.2 Other interests

As disclosed in the announcement of the Company dated 27 April 2016, there is a tenancy agreement entered into between the Group through a wholly-owned subsidiary and associate of Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela. The tenancy is for the letting of the premises located at Nos. 11–17, 7th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Kowloon, Hong Kong by an associate of Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela to the Group. The term is from 1 May 2016 to 30 April 2018 at a monthly rental of HK$195,000 from 1 May 2016 to 30 April 2017 and HK$207,000 from 1 May 2017 to 30 April 2018 pursuant to a tenancy agreement dated 27 April 2016. In addition, there was also a licence to install billboard at the lower part of the external wall facing Shanghai Street of the building known as "No. 33 Argyle" at Nos. 611–617 Shanghai Street and No. 33 Argyle Street, Kowloon, Hong Kong granted by an associate of Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela to the Group. The licence term was from 1 November 2015 to 31 October 2017. A monthly licence fee of HK$82,000 is payable pursuant to a licence agreement dated 15 December 2015.

3. ARRANGEMENTS AFFECTING DIRECTORS AND DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

Save as disclosed in section 2 in this appendix above:

(a) as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2016 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(b) no contract or arrangement in which any of the Directors was materially interested and which was significant in relation to the business of the Enlarged Group subsisted at the Latest Practicable Date.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. COMPETING INTERESTS

The following Directors had interests in the estate agency business conducted through Midland Holdings and its subsidiaries which is considered to compete or are likely to compete, either directly or indirectly, with the business of the Group:

Directors	Name of company	Interest in the competing business
Ms. TANG Mei Lai, Metty	Midland Holdings	Substantial Shareholder
Ms. WONG Ching Yi, Angela	Midland Holdings	Deputy Chairman, Managing Director and Executive Director

As the Board of the Company is independent of the board of directors of Midland Holdings 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 Holdings and its subsidiaries.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. 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 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose advices and/or reports are contained in this circular:

Name	Qualification
Jones Lang LaSalle Limited ("**JLL**")	Professional property valuer
PricewaterhouseCoopers ("**PwC**")	Certified Public Accountants

Both JLL and PwC (collectively the "**Experts**") have given and have not withdrawn their written consent to the issue of this circular with the inclusion of, where applicable, its letter(s) of advice and/or report(s) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the Experts:

(a) did not have any shareholding in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) did not have any direct or indirect interest in any assets which had been, since 31 December 2016 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Enlarged Group) had been entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and including the Latest Practicable Date which are or may be material:

(a) the acquisition agreement dated 10 January 2017 entered into between the Company and Mr. WONG Kin Yip, Freddie, pursuant to which the Company has acquired Most Wealth (Hong Kong) Limited, whose principal asset is a property located at Nos. 33 and 35 Java Road, Hong Kong from Mr. WONG Kin Yip, Freddie at the consideration of HK$400 million, subject to cash adjustment. For further details, please refer to the announcement of the Company dated 10 January 2017;

(b) the service agreement dated 7 February 2017 entered into between the Company and Midland Holdings whereby Midland Holdings may refer prospective purchasers of property in Hong Kong to the Group to apply for certain cashier's order payments in favour of property developers or any entity designated by such property developers. For further details, please refer to the announcement of the Company dated 7 February 2017;

(c) the Properties Acquisition Agreements; and

(d) the Target Companies Acquisition Agreements.

9. LITIGATION

As disclosed in the interim report of the Company for the period ended 30 June 2017, the Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic benefits is probable.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

As at the Latest Practicable Date, the Target Companies and the Properties were not engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Target Companies Sellers, the Properties Sellers or the Company to be pending or threatened by or against the Target Companies or the Properties.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:30 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong; and (ii) on the Company's website (at www.midlandici.com.hk), from 23 January 2018 up to and including the date of the EGM on 13 February 2018:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2015 and 2016;

(c) the interim report of the Company for the six months ended 30 June 2017;

(d) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" of this circular;

(e) the accountant's reports on the Target Companies, the text of which are set out in appendices IIa and IIb to this circular;

(f) the report from PwC in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in appendix V to this circular;

(g) the valuation report on the Entire Properties prepared by JLL, the text of which is set out in appendix VII to this circular;

(h) the written consents as referred to under the paragraph headed "Experts and consents" in this appendix;

(i) the material contracts as referred to under the paragraph headed "Material contracts" in this appendix; and

(j) the circular of the Company dated 4 November 2016 with respect to new annual caps for the cross referral services agreement dated 16 December 2015 and the circular dated 17 February 2017 with respect to the acquisition of Most Wealth (Hong Kong) Limited, whose principal asset is a property located at Nos. 33 and 35 Java Road, Hong Kong.

11. MISCELLANEOUS

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business in Hong Kong of the Company is at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The secretary of the Company is Ms. MUI Ngar May, Joel. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators and has over 10 years of experience in the company secretarial field.

(e) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text.

MIDLAND IC&I

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 OF EXTRAORDINARY GENERAL MEETING

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 Tuesday, 13 February 2018 at 12:00 noon for the following purposes:

Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 23 January 2018.

ORDINARY RESOLUTION

"THAT

(a) (i) the Target Companies Acquisition Agreements dated 28 November 2017 (a copy of each of them has been produced to the meeting marked "A" and "B" respectively and initialed by the Chairman of the meeting for the purpose of identification) among the Target Companies Purchasers as purchasers, the Target Companies Sellers as sellers and the Agent in respect of the sale and purchase of the Target Companies; and

(ii) the Properties Acquisition Agreements dated 28 November 2017 (a copy of each of them has been produced to the meeting marked "C", "D", "E" and "F" respectively and initialed by the Chairman of the meeting for the purpose of identification) among the Properties Purchasers as purchasers, the Properties Sellers as sellers and the Agent in respect of the sale and purchase of the Properties;

and all transactions contemplated under each of the Target Companies Acquisition Agreements and the Properties Acquisition Agreements be and are hereby approved, confirmed and ratified; and

(b) the board of directors of the Company (the "**Directors**") be and is hereby authorised to execute all such further documents, including under seal where applicable, and to take all such actions and steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to implement and/or give full effect to or in connection with the Target Companies Acquisition Agreements and the Properties Acquisition Agreements and all transactions contemplated thereunder."

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

Hong Kong, 23 January 2018

* *For identification purpose only*

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:

(a) The resolution 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**") 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.

(b) A member entitled to attend and vote at the Meeting is entitled to appoint one or (if he is a holder of two or more shares) more than one proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(c) Whether or not you intend to attend the Meeting, you are requested to complete and return the proxy form in accordance with the instructions stated thereon.

(d) 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 the proxy form will not preclude you from attending and voting in person at the Meeting and at any adjournment thereof if you so wish. In such event, the proxy form shall be deemed to be revoked.

(e) In the case of joint holders, any one of such joint holders 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 are present at any meeting the vote(s) of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.

(f) The register of members of the Company will be closed from Thursday, 8 February 2018 (Hong Kong time) to Tuesday, 13 February 2018 (Hong Kong time), 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, 7 February 2018 (Hong Kong time).