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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, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Midland IC&I Limited

美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

CONTINUING CONNECTED TRANSACTIONS CROSS REFERRAL SERVICES FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular. A letter from the Board is set out on pages 4 to 16 of this circular, a letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 17 to 18 of this circular and a letter from Shinco Capital (as the Independent Financial Adviser) containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 39 of this circular.

A notice convening the EGM to be held at Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Thursday, 1 April 2021 at 11:30 a.m. is set out on pages 45 to 46 of this circular. A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon. The duly completed proxy form, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power of attorney or authority, must be delivered to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM, or any adjourned meeting thereof.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page ii of this circular for measures being taken to minimise the risk of contracting and spreading of the Coronavirus Disease 2019 (COVID-19) at the EGM, including:

- health declarations and compulsory body temperature checks
- compulsory wearing of surgical face masks
- no distribution of refreshments

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

* For identification purpose only

CONTENTS

	<i>Page</i>
Precautionary Measures for the EGM	ii
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	17
Letter from Shinco Capital	19
General Information	40
Notice of EGM	45

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing Coronavirus Disease 2019 (COVID-19) pandemic and the requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius or exhibiting flu-like symptoms will be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) The Company may request Shareholders, proxies and other attendees to complete and submit at the entrance of the EGM venue a health declaration form confirming their names and contact details, and confirming that they have not travelled to, or to their best of knowledge had physical contact with any person who has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any person who does not comply with this requirement upon request of the Company will be denied entry into the EGM venue or be required to leave the EGM venue.
- (iii) Attendees are required to wear surgical face masks at all times and to maintain a safe distance between seats inside the EGM venue.
- (iv) No refreshments will be served.

Notwithstanding the above, and to the extent permitted under the applicable laws and for the proper conduct of the meeting, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and being consistent with COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the meeting as their proxy to vote on the resolution at the EGM instead of attending the EGM in person.

The proxy form is attached to this circular and can be downloaded from the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.midlandici.com.hk). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If Shareholders choosing not to attend the EGM in person have any questions about the resolution, or about the Company or any matters for communication with the Board, they are welcome to contact the Company via the Investors Relations Department by post at Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong or by email at investor@midlandici.com.hk.

If Shareholders have any questions relating to the EGM, please contact Tricor Tengis Limited, the Company's Hong Kong branch registrar as follows:

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
E-mail: is-enquiries@hk.tricorglobal.com
Tel: 852 2980 1333
Fax: 852 2810 8185

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Midland IC&I Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 459)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cross Referral Services Framework Agreement (2018)”	the cross referral services framework agreement dated 25 October 2018 entered into between the Company and Midland for a period of three years from 1 January 2019 to 31 December 2021
“Cross Referral Services Framework Agreement (2021)”	the cross referral services framework agreement dated 8 February 2021 entered into between the Company and Midland for a period of three years from 16 November 2020 to 15 November 2023
“Cross Referral Transactions”	the cross referral services transactions between the Group and the Midland Group in relation to the estate agency businesses
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps at Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Thursday, 1 April 2021 at 11:30 a.m.
“Exemption Thresholds”	the thresholds for exemption from the circular and shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules, respectively in relation to the receipt or payment of referral fees
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising two independent non-executive Directors, namely, Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric
“Independent Financial Adviser” or “Shinco Capital”	Shinco Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting on the resolution at the EGM in accordance with the Listing Rules
“Latest Practicable Date”	10 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Midland”	Midland Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1200)
“Midland Distribution”	the distribution of an interim dividend by Midland in the form of a distribution in specie of 610,976,997 Shares (representing approximately 33.84% of the issued share capital of the Company) held by the Midland Group to the qualifying shareholders of Midland in proportion to their respective shareholdings in Midland
“Midland Group”	Midland and its subsidiaries
“Midland Share(s)”	the ordinary share(s) of nominal value of HK\$0.1 each in the share capital of Midland

DEFINITIONS

“Mr. Wong”	Mr. WONG Kin Yip, Freddie, the Chairman and an executive Director of the Company
“Offer”	the unconditional mandatory cash offer made by Get Nice Securities Limited on behalf of Wealth Builder for all the issued Shares
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“Proposed Annual Caps”	the proposed maximum annual referral fees receivable/ received from or payable/paid to the Midland Group by the Group under the Cross Referral Services Framework Agreement (2021)
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Relevant Territory”	Hong Kong, Macau and the PRC or any part of the foregoing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules
“Sunluck”	Sunluck Services Limited, a company incorporated in the British Virgin Islands with limited liability which is indirectly and beneficially wholly-owned by Mr. Wong
“Wealth Builder”	Wealth Builder Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which is indirectly and beneficially wholly-owned by Mr. Wong
“%”	per cent.

LETTER FROM THE BOARD



Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

Executive Directors:

Mr. WONG Kin Yip, Freddie (*Chairman*)

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

15 March 2021

To the Shareholders

Dear Sirs/Madams,

**CONTINUING CONNECTED TRANSACTIONS
CROSS REFERRAL SERVICES FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 8 February 2021.

The purposes of this circular are to provide you with (i) information relating to details of the Cross Referral Services Framework Agreement (2021); (ii) the recommendation of the Independent Board Committee after having considered the advice of the Independent Financial Adviser in relation to the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder (including the Proposed Annual Caps); (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM to consider and, if thought fit, to approve the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps.

* For identification purpose only

LETTER FROM THE BOARD

2. BACKGROUND

References are made to the announcement and the circular of the Company dated 25 October 2018 and 14 November 2018 respectively in relation to, among other things, the continuing connected transactions under the Cross Referral Services Framework Agreement (2018) entered into between the Company and Midland, for the provision of Cross Referral Transactions between the Group and the Midland Group for estate agency business in the Relevant Territory for a period of three years commencing from 1 January 2019 to 31 December 2021.

References are also made to the announcement of Midland dated 19 October 2020 in relation to the Midland Distribution, the announcement issued by the Company and Wealth Builder dated 17 November 2020 following the Midland Distribution and the announcement issued by the Company and Wealth Builder dated 28 December 2020 in relation to the results of the Offer. Following the Midland Distribution and the Offer, Mr. Wong (the Chairman and an executive Director), who is directly and indirectly interested in approximately 36.97% of all issued Midland Shares, became (directly and through his indirect wholly-owned companies, Wealth Builder and Sunluck) interested in 930,463,428 Shares (representing approximately 51.54% of all issued Shares in the Company) and Midland being an associate of Mr. Wong is a connected person of the Company by virtue of such relationship. Similarly, by virtue of the Company being an associate of Mr. Wong, the Company has become a connected person of Midland under the Listing Rules.

To take into account the change in connected relationship between the Company and Midland, on 8 February 2021, the Company entered into the Cross Referral Services Framework Agreement (2021) with Midland, pursuant to which members of the Group and the Midland Group may continue the Cross Referral Transactions with each other for a period of three years from 16 November 2020 to 15 November 2023 in compliance with the Listing Rules.

3. CROSS REFERRAL SERVICES FRAMEWORK AGREEMENT (2021)

Date

8 February 2021

Parties

- (a) the Company; and
- (b) Midland

LETTER FROM THE BOARD

Term

The Cross Referral Services Framework Agreement (2021) will, subject to compliance with all relevant Listing Rules requirements by each of the Company and Midland, be valid for a term of three years from 16 November 2020 to 15 November 2023 and follow the substantive provisions of the Cross Referral Services Framework Agreement (2018).

Conditions precedent

Cross Referral Transactions entered into during the term of the Cross Referral Services Framework Agreement (2021) will be subject to the following conditions precedent:

- (a) Cross Referral Transactions which individually or in aggregate exceed the Exemption Thresholds for Midland will be subject to and conditional upon the Cross Referral Transactions contemplated under the Cross Referral Services Framework Agreement (2021) and the relevant annual caps for Midland thereof being approved by the independent shareholders of Midland in accordance with the Listing Rules (the “**Midland Independent Shareholders’ Approval**”); and
- (b) Cross Referral Transactions which individually or in aggregate exceed the Exemption Thresholds for the Company will be subject to and conditional upon the Independent Shareholders’ approval, save for transactions entered into prior to the expiry of the Cross Referral Services Framework Agreement (2018) on 31 December 2021.

Effect on transactions

For the avoidance of doubt:

- (a) Cross Referral Transactions entered into during the term of the Cross Referral Services Framework Agreement (2021) exceeding the Exemption Thresholds for Midland will only take effect when the Midland Independent Shareholders’ Approval is obtained; and
- (b) without prejudice to the above, for the Company, Cross Referral Transactions entered into prior to the expiry of the Cross Referral Services Framework Agreement (2018) will continue to take effect subject to the Cross Referral Services Framework Agreement (2018), which will be superseded by the Cross Referral Services Framework Agreement (2021) once the Independent Shareholders’ approval is obtained, and other Cross Referral Transactions exceeding the Exemption Thresholds will only take effect when the Independent Shareholders’ approval is obtained.

LETTER FROM THE BOARD

Details of the transactions under the Cross Referral Services Framework Agreement (2021)

The transactions under the Cross Referral Services Framework Agreement (2021) are of the same nature as those covered by the Cross Referral Services Framework Agreement (2018). They are essentially referrals of business opportunities in property transactions between members of the Group and the Midland Group, to secure engagements by the customers for estate agency services. Pursuant to the Cross Referral Services Framework Agreement (2021):

- (a) the Midland Group has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of the Group any business opportunity relating to or falling within the Group's estate agency business in respect of industrial and commercial properties and shops in the Relevant Territory; and
- (b) similarly, the Group also has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of the Midland Group any business opportunity relating to or falling within the Midland Group's estate agency business in respect of residential properties in the Relevant Territory.

Each referral is made on a case-by-case basis. There is no legally binding commitment on any member of the Group or the Midland Group to refer to the other any minimum number and/or target amount of transactions under the Cross Referral Services Framework Agreement (2021). The terms and conditions of each referral transaction will be evidenced by individual written agreements subject to the terms of the Cross Referral Services Framework Agreement (2021) and will be on normal commercial terms.

Referral fee and pricing policy

In consideration of the Cross Referral Transactions provided, the party making the referral (hereinafter the “**referor**”) is entitled to a referral fee from the party accepting such referral (hereinafter the “**referee**”) by way of sharing the relevant commission income actually received.

The allocation of the commission income received with respect to each individual property transaction will be determined on a case-by-case basis and on arm's length basis following the terms of the Cross Referral Services Framework Agreement (2021) and pricing policy below:

- (a) the allocation of commission income shall be on normal commercial terms or better, that is, terms which a party could obtain if the transaction were negotiated on an arm's length basis or on terms as considered by each of the Group and the Midland Group to be no less favourable to it than terms available to or from (as appropriate) its respective independent third parties, and neither the Group nor the Midland Group is required to consider the favourableness of such terms with respect to one another;

LETTER FROM THE BOARD

- (b) the starting point in determining the initial allocation of commission income received in each individual property transaction will be the following reference ratios (by the type of property transaction involved):

Property transaction involved	Reference ratio (%)	
	Referor	Referee
Primary property transaction	Between 70% to 90% ^(Note)	Between 30% to 10%
Secondary property transaction	50%	50%

Note: For a primary property transaction, a higher proportion of commission income received will usually be allocated to the referor of a property purchaser and a lower proportion to the referee (i.e. estate agent of the developer), as the former would typically assume relatively heavier workload. An estate agent seeking purchasers for properties in a development is required not only to have solid knowledge of the characteristics of the properties offered for sale but also to proactively put efforts and time in the marketing process and adapting to the needs of the purchasers. By contrast, in the case of the estate agent of the developer, the price and key commercial terms of the properties in the entire development are typically pre-set by the developer. Accordingly, the amount of time and efforts expected of the estate agent acting for the developer in the sale process are limited.

- (c) such reference ratios may be adjusted based on the negotiation between the parties on arm's length basis and on a case-by-case basis, after taking into account all relevant factors specific to the transaction including:
- (1) the characteristics, nature and value of any properties involved, such as the geographical locations, types, usages, areas or other objective features of the properties, as well as the subjective requirements of the specific customers (e.g. a party acting for the vendor of an unique and high value property is likely to be able to bargain for higher commission income);
 - (2) the expected workload of the respective agents;
 - (3) the scope and exclusive nature of the requisite estate agency and consultancy services involved under the engagements with the individual customers (e.g. a party acting for the vendor may bargain for higher commission income if he acts as a sole and exclusive agent for the vendor); and
 - (4) other factors (e.g. in some cases, the developer may set a sales target which, if met, will enable the estate agent for the developer to get a higher commission rate for all the transactions – in such case, when it is close to the said sales target, the estate agent for the developer may be willing to give a higher proportion of the commission income to the estate agent referring the purchaser so that the said sales target can be achieved);

LETTER FROM THE BOARD

- (d) the commission income allocations proposed by individual estate agents will be submitted to the respective branch managers of such agents, who will review and, if appropriate, approve the same with reference to the above criteria based on the following:

(1) where there are comparable referral transactions with independent-third-party estate agents:

The branch managers would compare the commission income allocations and the terms of the transactions under the Cross Referral Services Framework Agreement (2021) with at least two other comparable transactions which the Group made with independent-third-party estate agents in so far as they are available, particularly those made under the then prevailing circumstances. In selecting the comparable transactions, particular weight would be given to those closely similar to the case in question in terms of, among other things, the nature of engagements by the customers, the workload of the respective agents relative to each other as well as the characteristics, nature and value of any properties involved.

(2) where there are no comparable referral transactions with independent-third-party estate agents:

The factors mentioned under paragraphs (c)(1) to (4) above will be carefully considered, bearing in mind that the allocation of commission income shall be on normal commercial terms or better as set out in paragraph (a) above.

As income of estate agents in Hong Kong is in a large part derived from commission income, each of the referor and the referee estate agents would be self-motivated to secure an allocation ratio to the best of such agent's respective interests possible at the time when negotiating the allocation of the commission income for the agency such agent represents such that any referral transaction concluded following such negotiations will be on an arm's length basis.

- (e) the commission income allocation ratio for each transaction, when finalised after considering the above factors, will be recorded when the parties enter into the individual written agreement for the property transaction; and
- (f) the commission income allocations for the transactions made under the Cross Referral Services Framework Agreement (2021) will be checked and reviewed by the respective management of the Group and the Midland Group from time to time. Annually, the said transactions conducted during the financial year will also be reviewed by the Group and the Midland Group respectively in compliance with the relevant requirements in the Listing Rules.

LETTER FROM THE BOARD

For primary market transactions, approximately 74.5%, 80.3% and 60.0% of allocation of commission income from the referee to the referor fell in the range of 70% to 90% during the financial years ended 31 December 2018, 2019 and 2020, respectively. For secondary market transactions, approximately 65.1%, 75.6% and 76.8% of allocation of commission income between the referor and referee was 50:50 during the financial years ended 31 December 2018, 2019 and 2020 respectively.

As income of estate agents in Hong Kong is in a large part derived from commission income, the estate agents are expected to be self-motivated to use their best effort to secure an allocation ratio to the best of their own interests when negotiating for the commission income by considering the factors under paragraph (c)(1) to (4), which are factors commonly considered by agents in the market. The Company's policy and procedures are designed along this central theme for the negotiations to adjust to prevailing market forces, to best help ensure that the allocation terms will be on normal commercial terms.

Settlement

For actual commission income received in each month, payments of referral fees will generally be made by the end of the calendar month following the month in which the commission income is actually received from or attributable to the relevant transaction.

The referral fees payable by the Group to the Midland Group under the Cross Referral Services Framework Agreement (2021) will be settled through the working capital of the Group.

4. HISTORICAL AMOUNTS

The amounts of the existing annual caps of the referral fees from or to the Midland Group for the financial years ended 31 December 2018, 2019 and 2020 are as follows:

Existing annual caps:	Year ended 31 Dec 2018 (HK\$ million)	Year ended 31 Dec 2019 (HK\$ million)	Year ended 31 Dec 2020 (HK\$ million)
Referral fees to the Midland Group	130.0	145.0	145.0
Referral fees from the Midland Group	50.0	50.0	50.0

LETTER FROM THE BOARD

Set out below are the historical amounts of the referral fees from or to the Midland Group for the financial years ended 31 December 2018, 2019 and 2020:

Historical amounts:	Year ended 31 Dec 2018	Year ended 31 Dec 2019	Year ended 31 Dec 2020 <i>(Note)</i>
	<i>(HK\$million)</i>	<i>(HK\$million)</i>	<i>(HK\$million)</i>
Referral fees to the Midland Group	99.0	63.9	35.3
Referral fees from the Midland Group	27.8	21.7	21.3

It is noted that such historical transaction amounts for the years 2019 and 2020 may be affected by specific market conditions, such as the effect of geopolitical tensions and global pandemic on the economy, and may not be reliable indicators of active transaction levels.

Note: The historical transaction amounts for the year ended 31 December 2020 are preliminary and subject to audit.

5. PROPOSED ANNUAL CAPS

The Proposed Annual Caps for the Group for the respective periods below as follows:

Proposed Annual Caps	16 Nov 2020 to 31 Dec 2020 <i>(HK\$ million)</i>	1 Jan 2021 to 31 Dec 2021 <i>(HK\$ million)</i>	1 Jan 2022 to 31 Dec 2022 <i>(HK\$ million)</i>	1 Jan 2023 to 15 Nov 2023 <i>(HK\$ million)</i>
Referral fees to the Midland Group	15.0	110.0	110.0	95.0
Referral fees from the Midland Group	10.0	50.0	50.0	40.0

Basis of determining the Proposed Annual Caps

The Proposed Annual Caps for the Group in relation to the transactions contemplated under the Cross Referral Services Framework Agreement (2021) were determined by the Group with reference to factors including:

- (a) as a starting point, the historical transaction amounts between the Group and the Midland Group adjusted for the relevant periods as follows:
 - (1) *Proposed Annual Caps for referral fees payable/paid to the Midland Group:*
 - (i) the historical transaction amounts of 2018 which had seen an active level of industrial and commercial properties and shops referrals; (ii) the expected level of referral fees payable/paid to the Midland Group in

LETTER FROM THE BOARD

respect of industrial and commercial properties and shops for the relevant periods; and (iii) the Group's potential business growth based on the scale, operations of the businesses and capability of the Group and capacity to take on referrals.

(2) *Proposed Annual Caps for referral fees receivable/received from the Midland Group:*

(i) the historical transaction amounts of 2018; (ii) expected level of referral fees receivable/received from the Midland Group in respect of residential properties for the relevant periods; (iii) the possible increase in market transactions in Hong Kong residential market following the COVID-19 pandemic; and (iv) the Group's potential business growth based on the scale, operations of the businesses and capability of the Group and opportunity to make referrals.

(b) property market and economic factors which are expected to carry direct or indirect impact on property transactions, including:

- (1) the volatility of the property market in Hong Kong contributing to swings in transaction volume and value; and
- (2) the possible outlook of the local economic environmental conditions, including the relaxation of mortgage ceiling on non-residential properties by the Hong Kong Monetary Authority in August 2020 and the abolition of the double ad valorem stamp duty on non-residential properties with effect from 26 November 2020 which may drive transaction levels.

The historical amount in the year ended 31 December 2018 served as the starting point in setting the Proposed Annual Caps as it is considered that the market conditions in 2019 and 2020 were not reliable indicators of active transaction levels. The market conditions in the years of 2019 and 2020 were adversely affected by the intensified geopolitical tensions in 2019 and the unprecedented COVID-19 pandemic as well as the associated combating measures in 2020. Such adverse market conditions were extraordinary and had affected the transaction value and volume of Hong Kong properties market. The Company considers it prudent and reasonable to cater for the possibility in case such adverse market conditions subside, such that the Group may continue with these normal and ordinary course transactions without interruption, if transaction level does return to a higher level.

By the same token, the Company considers it prudent and reasonable to cater for the possibility of the Group's business growth to allow flexibility for the Group to capture future business opportunities if they do arise. Based on the information provided by the Company, the Independent Financial Adviser has also reviewed the Group's historical transactions trends and growths in previous years and confirmed that the Proposed Annual Caps and their factors considered were fair and reasonable.

LETTER FROM THE BOARD

The factors collectively considered in determining the Proposed Annual Caps were grounded in previous transactions with prudent contingency considerations for the future and have been reviewed by the Independent Financial Adviser, and the Directors consider that the Proposed Annual Caps to be fair and reasonable.

6. REASONS FOR AND BENEFITS OF ENTERING INTO THE CROSS REFERRAL SERVICES FRAMEWORK AGREEMENT (2021)

Referral transactions are an integral part of estate agency business, which constitute the principal activities of both the Group and the Midland Group. The Board believes that the Cross Referral Services Framework Agreement (2021) will provide a working framework in compliance with the Listing Rules to encourage cooperation between both groups of companies and secure more business opportunities for them which will be mutually beneficial to their respective business growth.

The Directors consider that (a) the terms of the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, and (b) the terms of the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. INTERNAL CONTROL MEASURES

To ensure that the transactions contemplated under the Cross Referral Services Framework Agreement (2021) will be conducted in accordance with its terms and the pricing policy and within the Proposed Annual Caps, the Group has in place the following internal control procedures to monitor the transactions contemplated under the Cross Referral Services Framework Agreement (2021):

- (a) the aggregate amount of referral fees payable/paid to and receivable/received from the Midland Group will be updated on a monthly basis for appraising the latest unutilised amounts available under the Proposed Annual Caps for the relevant period;
- (b) the terms and commission income allocations for the transactions under the Cross Referral Services Framework Agreement (2021) will be reviewed by the Group from time to time to ensure they are on normal commercial terms or better (i.e. terms obtainable on an arm's length basis or terms no less favourable to the Group than those available to or from independent third parties); and
- (c) annually, the transactions made under the Cross Referral Services Framework Agreement (2021) conducted during the financial year will also be reviewed by the independent non-executive Directors and reported by the auditors of the Company in compliance with the relevant requirements in Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

8. LISTING RULES IMPLICATIONS

Mr. Wong (the Chairman and an executive Director), who is directly and indirectly interested in approximately 36.97% of all issued Midland Shares, is (directly and through his indirect wholly-owned companies, Wealth Builder and Sunluck) interested in 930,463,428 Shares (representing approximately 51.54% of all issued Shares in the Company). By virtue of Midland being an associate of Mr. Wong, Midland is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Cross Referral Services Framework Agreement (2021) will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio), calculated based on the highest of the Proposed Annual Caps exceeds 5%, the Cross Referral Transactions as contemplated under the Cross Referral Services Framework Agreement (2021) will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wong and Ms. WONG Ching Yi, Angela are executive directors of both the Company and Midland, and Mr. HO Kwan Tat, Ted is an independent non-executive director of both the Company and Midland. Accordingly, Mr. Wong, Ms. WONG Ching Yi, Angela and Mr. HO Kwan Tat, Ted had abstained from voting on the resolutions of the Board in respect of the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps. Shinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

9. EGM AND BOOK CLOSURE

A notice convening the EGM to be held at Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Thursday, 1 April 2021 at 11:30 a.m. is set out on pages 45 to 46 of this circular. At the EGM, the resolution in the terms set out in the notice of EGM will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps. Votes on the resolution will be taken by poll at the EGM as required by Rule 13.39(4) of the Listing Rules.

As at the Latest Practicable Date, Mr. Wong (the Chairman and an executive Director) was directly and indirectly (through his indirectly wholly-owned companies, Wealth Builder and Sunluck) interested in 930,463,428 Shares, representing approximately 51.54% of all issued Shares in the Company. Accordingly, Mr. Wong, Wealth Builder and Sunluck are required to abstain from voting in relation to the resolution approving the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps at the EGM. Save as disclosed above, to the best of the Directors'

LETTER FROM THE BOARD

knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Cross Referral Services Framework Agreement (2021) that is required to abstain from voting on the resolution to be proposed at the EGM to approve the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps.

A proxy form for use at the EGM is also enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon. The duly completed proxy form, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power of attorney or other authority, must be returned to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a proxy form will not preclude you from attending and voting in person at the EGM, or any adjourned meeting thereof.

The register of members of the Company will be closed from Monday, 29 March 2021 to Thursday, 1 April 2021, both days inclusive, during which period no transfer of shares will be registered. To be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 March 2021.

10. GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment in Hong Kong.

Midland is an investment holding company, the shares of which are listed on the Main Board of the Stock Exchange. The Midland Group is principally engaged in the provision of property agency services in Hong Kong the PRC and Macau, property leasing, immigration consultancy services and money lending services.

11. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders concerning the terms of the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder (including the Proposed Annual Caps); and (ii) the letter of advice from the Independent Financial Adviser set out on pages 19 to 39 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps and the principal factors and reasons considered by it in formulating its advice.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder (including the Proposed Annual Caps) to be fair and reasonable in so far as the Company and the Independent Shareholders are concerned. The Independent Board Committee also considers that the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder (including the Proposed Annual Caps) was entered into on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution relating to the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps which will be proposed at the EGM.

Yours faithfully,

By Order of the Board

Midland IC&I Limited

WONG Hon Shing, Daniel

Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

15 March 2021

To the Independent Shareholders

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS CROSS REFERRAL SERVICES FRAMEWORK AGREEMENT

We refer to the circular of the Company dated 15 March 2021 (the “**Circular**”) of which this letter forms part. Terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Cross Referral Services Framework Agreement (2021) and to advise the Independent Shareholders in respect of the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder (including the Proposed Annual Caps).

Shinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder (including the Proposed Annual Caps).

We wish to draw your attention to the letter from the Board set out on pages 4 to 16 of the Circular which contains, among others, information on the Cross Referral Services Framework Agreement (2021), as well as the letter from the Independent Financial Adviser set out on pages 19 to 39 of the Circular which contains its advice in respect of the terms of the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder (including the Proposed Annual Caps).

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Shinco Capital, we consider that the entering into of the Cross Referral Services Framework Agreement (2021) is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder (including the Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Midland IC&I Limited
YING Wing Cheung, William SHA Pau, Eric
Independent non-executive Directors

LETTER FROM SHINCO CAPITAL

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



Room 1902, 19/F
Yue Shing Commercial
15 Queen Victoria Street
Central
Hong Kong

15 March 2021

*To the Independent Board Committee and the Independent Shareholders of
Midland IC&I Limited (the “Company”)*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS CROSS REFERRAL SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions in relation to the entering of the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 15 March 2021 (the “**Circular**”) of which this letter (the “**Letter**”) forms part. Capitalised terms used in this Letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

As set out in the Letter from the Board, following the Midland Distribution, and the Offer, Mr. Wong (the Chairman and an executive Director), who is directly and indirectly interested in approximately 36.97% of all issued shares in Midland Shares, became directly and through his indirect wholly-owned companies, Wealth Builder and Sunluck interested in 930,463,428 Shares (representing approximately 51.54% of all issued Shares in the Company) and Midland being an associate of Mr. Wong is a connected person of the Company by virtue of such relationship. Similarly, by virtue of the Company being an associate of Mr. Wong, the Company has become a connected person of Midland under the Listing Rules.

LETTER FROM SHINCO CAPITAL

To take into account the change in connected relationship between the Company and Midland, on 8 February 2021, the Company entered into the Cross Referral Services Framework Agreement (2021) with Midland, pursuant to which members of the Group and the Midland Group may continue the Cross Referral Transactions with each other for a period of three years from 16 November 2020 to 15 November 2023 in compliance with the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) calculated based on the highest of the Proposed Annual Caps exceeds 5%, the Cross Referral Transactions as contemplated under the Cross Referral Services Framework Agreement (2021) will be subject to the reporting, annual review, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, Mr. Wong (the Chairman and an executive Director) was directly and indirectly (through his indirectly wholly-owned companies, Wealth Builder and Sunluck) interested in 930,463,428 Shares, representing approximately 51.54% of all issued Shares in the Company. Accordingly, Mr. Wong, Wealth Builder, and Sunluck are required to abstain from voting in relation to the resolution approving the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Cross Referral Services Framework Agreement (2021) that is required to abstain from voting on the resolution to be proposed at the EGM to approve the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps.

An Independent Board Committee, comprising two independent non-executive Directors, namely, Mr. Ying Wing Cheung, William and Mr. Sha Pau, Eric has been established to advise the Independent Shareholders in relation to the terms of the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps. We, Shinco Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Cross Referral Services Framework Agreement (2021) are fair and reasonable so far as the Company and the Independent Shareholders are concerned; (ii) whether the Cross Referral Services Framework Agreement (2021) was entered into, on normal commercial terms, in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) whether or not the Independent Shareholders should vote in favour of the resolution approving the Cross Referral Transactions as contemplated under the Cross Referral Services Framework Agreement (2021) and the Proposed Annual Caps which will be proposed at the EGM.

LETTER FROM SHINCO CAPITAL

BASIS OF OUR OPINION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied upon the statements, information, opinions and representations contained or referred to in the Circular, the information, opinions and representations provided to us by the Directors and/or the management of the Group (the “**Management**”), and our review of the relevant public information.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in 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 in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, the Directors and the Management, which have been provided to us. We have not, however, carried out any independent verification of the information provided by the Directors and/or the Management nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or the prospects of the markets in which the Group operates.

Save for this appointment as the Independent Financial Adviser, there were no other engagements between Shinco Capital Limited and the Company and Midland, or any other parties to the Cross Referral Services Framework Agreement (2021), in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefit from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Cross Referral Services Framework Agreement (2021). As at the Latest Practicable Date, we were not aware of any relationships or interests between us and any member of the Group or any of their substantial shareholders, directors or chief executives, or their respective associates, that could reasonably be regarded as hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Cross Referral Services Framework Agreement (2021) pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM SHINCO CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons.

1. Background of and reasons for entering into of the Cross Referral Services Framework Agreement (2021)

(i) Information of the Group and the Midland Group

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

Based on the annual report of the Company for the year ended 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020, the provision of property agency services in respect of commercial and industrial properties and shops accounted for approximately 97.7%, 94.1% and 91.3% of the revenue of the Group for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively. Accordingly, the provision of property agency services is the largest principal business of the Group.

The principal business activities of the Midland Group comprise provision of property agency services in Hong Kong, the PRC and Macau, property leasing, immigration consultancy services and money lending services.

Based on the annual report of Midland for the year ended 31 December 2019 and the interim report of Midland for the six months ended 30 June 2020, the provision of property agency services accounted for approximately 99.5%, 99.6% and 99.6% of the revenue of the Midland Group for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively. Accordingly, the provision of property agency services is the largest principal business of the Midland Group.

(ii) Background of the Cross Referral Services Framework Agreement (2021)

As set out in the announcement and the circular of the Company dated 25 October 2018 and 14 November 2018, respectively, the Company and Midland entered into the Cross Referral Services Framework Agreement (2018) for the provision of Cross Referral Transactions between the Group and the Midland Group for the estate agency business in the Relevant Territory for a period of three years from 1 January 2019 to 31 December 2021.

LETTER FROM SHINCO CAPITAL

As set out in the Letter from the Board, following the Midland Distribution and the Offer, Mr. Wong (the Chairman and an executive Director), who is directly and indirectly interested in approximately 36.97% of all issued shares in Midland became (directly and through his indirect wholly-owned companies, Wealth Builder and Sunluck) interested in 930,463,428 Shares (representing approximately 51.54% of all issued shares in the Company) and Midland being an associate of Mr. Wong is a connected person of the Company by virtue of such relationship. Similarly, by virtue of the Company being an associate of Mr. Wong, the Company has become a connected person of Midland under the Listing Rules.

To take into account the change in connected relationship between the Company and Midland, on 8 February 2021, the Company entered into the Cross Referral Services Framework Agreement (2021) with Midland, pursuant to which members of the Group and the Midland Group may continue the Cross Referral Transactions with each other for a period of three years from 16 November 2020 to 15 November 2023, in compliance with the Listing Rules.

(iii) Reasons for and benefits of entering into of the Cross Referral Services Framework Agreement (2021)

As set out in the Letter from the Board, referral transactions are an integral part of estate agency business, which constitute the principal activities of both the Group and the Midland Group. The Board believes that the Cross Referral Services Framework Agreement (2021) will provide a working framework in compliance with the Listing Rules to encourage cooperation between both groups of companies and secure more business opportunities for them which will be mutually beneficial to their respective business growth.

Given the nature of the Cross Referral Transactions and the principal business of the Group as stated above, we are of the view that the entering into of the Cross Referral Services Framework Agreement (2021) is in the ordinary and usual course of business of the Group.

On the basis that (i) the provision of property agency services is the largest principal business of the Group; (ii) the Cross Referral Services Framework Agreement (2021) will encourage cooperation between the Group and the Midland Group and secure more business opportunities for business growth; (iii) the terms of the Cross Referral Services Framework Agreement (2021) are fair and reasonable as set out in later section of this Letter; and (iv) the transactions contemplated under the Cross Referral Services Framework Agreement (2021) will be governed by the relevant internal control measures as set out in later section of this Letter, we are of the view that the entering into of the Cross Referral Services Framework Agreement (2021) is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM SHINCO CAPITAL

2. Principal terms of the Cross Referral Services Framework Agreement (2021)

With reference to the Letter from the Board, the Company is proposing to enter into the Cross Referral Services Framework Agreement (2021) for transactions for the period of three years from 16 November 2020 to 15 November 2023. It has incorporated the substantive provisions of the Cross Referral Services Framework Agreement (2018). We have reviewed the terms of both the Cross Referral Services Framework Agreement (2018) and the Cross Referral Services Framework Agreement (2021) and understand that the major terms of these two agreements are similar.

(i) Descriptions of principal terms of the Cross Referral Services Framework Agreement (2021)

Set out below are the principal terms of the Cross Referral Services Framework Agreement (2021):

- | | |
|--------------------|--|
| Date: | 8 February 2021 |
| Parties: | the Company; and

Midland |
| Term: | The Cross Referral Services Framework Agreement (2021) will, subject to compliance with all relevant Listing Rules requirements by each of the Company and Midland, be valid for a term of three years from 16 November 2020 to 15 November 2023 and follows the substantive provisions of the Cross Referral Services Framework Agreement (2018). |
| Scope of services: | The transactions under the Cross Referral Services Framework Agreement (2021) are essentially referrals of business opportunities in property transactions between members of the Group and the Midland Group, to secure engagements by the customers for estate agency services. Pursuant to the Cross Referral Services Framework Agreement (2021):

(a) the Midland Group has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of the Group any business opportunity relating to or falling within the Group's estate agency business in respect of industrial and commercial properties and shops in the Relevant Territory; and |

LETTER FROM SHINCO CAPITAL

- (b) similarly, the Group also has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of the Midland Group any business opportunity relating to or falling within the Midland Group's estate agency business in respect of residential properties in the Relevant Territory.

Each referral is made on a case-by-case basis. There is no legally binding commitment on any member of the Group or the Midland Group to refer to the other any minimum number and/or target amount of transactions under the Cross Referral Services Framework Agreement (2021). The terms and conditions of each referral transaction will be evidenced by individual written agreements subject to the terms of the Cross Referral Services Framework Agreement (2021) and will be on normal commercial terms.

Referral fee
and pricing
policy:

In consideration of the Cross Referral Transactions provided, the party making the referral (hereinafter the "**referor**") is entitled to a referral fee from the party accepting such referral (hereinafter the "**referee**") by way of sharing the relevant commission income actually received.

The allocation of the commission income received with respect to each individual property transaction will be determined on a case-by-case basis and on arm's length basis following the terms of the Cross Referral Services Framework Agreement (2021) and pricing policy below:

- (a) the allocation of commission income shall be on normal commercial terms or better, that is, terms which a party could obtain if the transaction were negotiated on an arm's length basis or on terms as considered by each of the Group and the Midland Group to be no less favourable to it than terms available to or from (as appropriate) independent third parties, and neither the Group nor the Midland Group is required to consider the favourableness of such terms with respect to one another;

LETTER FROM SHINCO CAPITAL

- (b) the starting point in determining the initial allocation of commission income received in each individual property transaction will be the following reference ratios (by the type of property transaction involved):

Property transaction involved	Reference ratio (%)	
	Referor	Referee
Primary property transaction	Between 70% to 90% <i>(Note)</i>	Between 30% to 10%
Secondary property transaction	50%	50%

Note:

For a primary property transaction, a higher proportion of commission income received will usually be allocated to the referor of a property purchaser and a lower proportion to the referee (i.e. estate agent of the developer), as the former would typically assume relatively heavier workload. An estate agent seeking purchasers for properties in a development is required not only to have solid knowledge of the characteristics of the properties offered for sale but also to proactively put efforts and time in the marketing process and adapting to the needs of the purchasers. By contrast, in the case of the estate agent of the developer, the price and key commercial terms of the properties in the entire development are typically pre-set by the developer. Accordingly, the amount of time and efforts expected of the estate agent acting for the developer in the sale process are limited.

- (c) such reference ratios may be adjusted based on the negotiation between the parties on arm's length basis and on a case-by-case basis, after taking into account all relevant factors specific to the transaction including:
- (1) the characteristics, nature and value of any properties involved, such as the geographical locations, types, usages, areas or other objective features of the properties, as well as the subjective requirements of the specific customers (e.g. a party acting for the vendor of an unique and high value property is likely to be able to bargain for higher commission income);

LETTER FROM SHINCO CAPITAL

- (2) the expected workload of the respective agents;
 - (3) the scope and exclusive nature of the requisite estate agency and consultancy services involved under the engagements with the individual customers (e.g. a party acting for the vendor may bargain for higher commission income if he acts as a sole and exclusive agent for the vendor); and
 - (4) other factors (e.g. in some cases, the developer may set a sales target which, if met, will enable the estate agent for the developer to get a higher commission rate for all the transactions – in such case, when it is close to the said sales target, the estate agent for the developer may be willing to give a higher proportion of the commission income to the estate agent referring the purchaser so that the said sales target can be achieved);
- (d) the commission income allocations proposed by individual estate agents will be submitted to the respective branch managers of such agents, who will review and, if appropriate, approve the same with reference to the above criteria based on the following:
- (1) *where there are comparable referral transactions with independent-third-party estate agents:*

The branch managers would compare the commission income allocations and the terms of the transactions under the Cross Referral Services Framework Agreement (2021) with at least two other comparable transactions which the Group made with independent-third-party estate agents in so far as they are available, particularly those made under the then prevailing circumstances. In selecting the comparable transactions, particular weight would be given to those closely similar to the case in question in terms of, among other things, the nature of engagements by the customers, the workload of the respective agents relative to each other as well as the characteristics, nature and value of any properties involved.

LETTER FROM SHINCO CAPITAL

- (2) *where there are no comparable referral transactions with independent-third-party estate agents:*

The factors mentioned under paragraphs (c)(1) to (4) above will be carefully considered, bearing in mind that the allocation of commission income shall be on normal commercial terms or better as set out in paragraph (a) above.

As income of estate agents in Hong Kong is in a large part derived from commission income, each of the referor and the referee estate agents would be self-motivated to secure an allocation ratio to the best of such agent's respective interests possible at the time when negotiating the allocation of the commission income for the agency such agent represents such that any referral transaction concluded following such negotiations will be on an arm's length basis.

- (e) the commission income allocation ratio for each transaction, when finalised after considering the above factors, will be recorded when the parties enter into the individual written agreement for the property transaction; and
- (f) the commission income allocations for the transactions made under the Cross Referral Services Framework Agreement (2021) will be checked and reviewed by the respective management of the Group and the Midland Group from time to time. Annually, the said transactions conducted during the financial year will also be reviewed by the Group Midland Group respectively in compliance with the relevant requirements in the Listing Rules.

For primary market transactions, approximately 74.5%, 80.3% and 60.0% of allocation of commission income from the referee to the referor fell in the range of 70% to 90% during the financial years ended 31 December 2018, 2019 and 2020, respectively. For secondary market transactions, approximately 65.1%, 75.6% and 76.8% of allocation of commission income between the referor and referee was 50:50 during the financial years ended 31 December 2018, 2019 and 2020, respectively.

LETTER FROM SHINCO CAPITAL

As income of estate agents in Hong Kong is in a large part derived from commission income, the estate agents are expected to be self-motivated to use their best effort to secure an allocation ratio to the best of their own interests when negotiating for the commission income by considering the factors under paragraph (c)(1) to (4), which are factors commonly considered by agents in the market. The Company's policy and procedures are designed along this central theme for the negotiations to adjust to prevailing market forces, to best help ensure that the allocation terms will be on normal commercial terms.

Settlement: For actual commission income received in each month, payments of referral fees will generally be made by the end of the calendar month following the month in which the commission income is actually received from or attributable to the relevant transaction.

(ii) Analysis of the principal terms of the Cross Referral Services Framework Agreement (2021)

(a) Referral fee and pricing policy

In assessing fairness and reasonableness of the commission income allocation for transactions under the Cross Referral Services Framework Agreement (2021), we have reviewed the past records of the commission income allocation between the Group and the Midland Group for both the commission income paid/payable to and received/receivable from the Midland Group for each of the financial years ended 31 December 2018, 2019 and 2020. For primary market transactions, we noted that approximately 74.5%, 80.3% and 60.0% of allocation of commission income from the referee to the referor fell in the range of 70% to 90% during the financial years ended 31 December 2018, 2019 and 2020, respectively. For secondary market transactions, we noted that approximately 65.1%, 75.6% and 76.8% of allocation of commission income between the referor and referee was 50:50 during the financial years ended 31 December 2018, 2019 and 2020, respectively. Based on the above findings, it is indicated that majority of the commission income allocation between the Group and the Midland Group were in line with the reference commission allocations under the Cross Referral Services Framework Agreement (2018) as well as those under the proposed Cross Referral Services Framework Agreement (2021).

We have also reviewed the past records of the commission income allocation between the Group and independent third parties for the same period. For primary market transactions, we noted that approximately 51.9% and 25.0% of allocation of commission income from the referee to the referor fell in the range of 70% to 90% during the financial years ended 31 December 2018 and 2019, respectively, and we are given to understand that

LETTER FROM SHINCO CAPITAL

there was no such referred transaction with independent third parties during the financial year ended 31 December 2020. We noted that during the financial year ended 31 December 2019, the allocation of commission income of only one out of four referred primary market transactions with independent third parties fell in the reference range of 70% to 90%. Given that there was a small number of only four referred primary market transactions with independent third parties in 2019 (compared to 27 referred primary market transactions in 2018, 89 referred secondary market transactions in 2018 and 64 referred secondary market transactions in 2019 with independent third parties), the data of commission allocation in 2019 for referred primary market transactions with independent third parties is considered relatively insignificant. Nevertheless, we have also reviewed the underlying reasons for the transactions falling outside the reference or the most common commission income allocation ratios as detailed in the next paragraph. As for secondary market transactions, we noted from the provided information that approximately 55.1%, 57.8% and 67.4% of allocation of commission income with independent third parties was 50:50 during the financial years ended 31 December 2018, 2019 and 2020, respectively. Based on the transaction information available to us, with the exception of the few referred primary market transactions with independent third parties during the financial year ended 31 December 2019, majority of the commission allocation between the Group and independent third parties is comparable to or no less favourable to the Group than those between the Group and the Midland Group.

For transactions falling outside the reference or the most common commission income allocation ratios, we have discussed with the Management and reviewed the past records of such transactions between the Group and the Midland Group as well as between the Group and independent third parties, and noted that the main reason for the commission income allocation falling outside the reference or most common range was to allocate more commission income to the party in accordance with the proportion of works performed, having regard to the characteristics and specific circumstances of those transactions. As advised by the Management, the commission income splits were determined on the same practice with those transactions falling within the reference or most common range of allocation of commission income which were, and will continue to be, negotiated between the parties on arm's length and case-by-case basis after taking into account (i) the characteristics, nature and value of properties involved such as the geographical locations, types, usages, areas or other objective features of the properties as well as the subjective requirements of the specific customers; (ii) the nature and workload of the respective agents; and (iii) the scope and exclusive nature of the requisite property agency and consultancy services involved under the engagements with individual customers. In connection with the above, we have reviewed samples of internal approval forms which set out the relevant particulars of the referral transactions, the relevant agents and commission rebate allocation percentages for referral transactions between the Group and the Midland

LETTER FROM SHINCO CAPITAL

Group and between the Group and the independent third parties. In addition to the aforesaid factors, we have also considered the fact that commissions form a large part of the income of estate agents in Hong Kong, as a result it is reasonable and in the interest of the individual estate agents to use their best effort to obtain terms for their best benefit when negotiating commission allocation of referral transactions and in selecting referees/referors in the process of securing transactions (regardless of whether the counterparty is a connected party or an independent third party of the estate agent's employer). In other words, due to the nature of income of individual estate agents in Hong Kong, it is reasonable to consider that commission allocation of referral transactions should largely be determined by market forces under arm's length basis after taking into account the specific case-by-case characteristics of the property transactions. As such, we consider that those transactions falling outside the reference or most common range of allocation of commission income were in line with the Group's practice which was negotiated between the parties on arm's length and case-by-case basis after taking into account a number of factors as mentioned above in determining the commission income allocation.

Based on the above, we are of the view that the commission income allocation between the Group and the Midland Group was generally in line with the reference allocation ratios under the Cross Referral Services Framework Agreement (2018) and is on normal commercial terms that were no less favourable to the Group than terms available with independent third parties.

(b) Settlement

In respect of the settlement terms, we have discussed with the Management in relation to the payment terms and reviewed samples of past payment records of the referral fees between the Group and the Midland Group and between the Group and independent third parties for the year ended 31 December 2020. We note from our review of the samples that the settlements between the Group and Midland Group were generally made by the end of the following calendar month after the commissions from relevant transactions were received. The settlement terms were similar to those in the reviewed samples of the other referral transactions of the Group with independent third parties. As such, we consider that the settlement terms of referral transactions with the Midland Group were fairly and reasonably determined, and no less favourable to the Group than terms available with independent third parties.

Having considered that (i) the commission income allocation between the Group and the Midland Group is comparable to those between the Group and independent third parties; (ii) transactions falling outside the reference or the most common range of allocation of commission income were in line with the Group's practice which was negotiated between the parties on arm's length and case-by-case basis mainly with reference to nature of properties and workload of agents; and (iii) the settlement terms

LETTER FROM SHINCO CAPITAL

with the Midland Group are similar to those in other referral transactions of the Group with independent third parties, we consider that the terms of the Cross Referral Services Framework Agreement (2021) are on normal commercial terms and are fair and reasonable in so far as the Company and the Shareholders are concerned.

3. The Proposed Annual Caps

(i) *The levels and determination of the Proposed Annual Caps*

The Proposed Annual Caps are as follows:

Proposed Annual Caps	16 November 2020 to 31 December 2020 <i>(HK\$ million)</i>	Year ending 31 December 2021 <i>(HK\$ million)</i>	Year ending 31 December 2022 <i>(HK\$ million)</i>	1 January 2023 to 15 November 2023 <i>(HK\$ million)</i>
Referral fees to the Midland Group	15.0	110.0	110.0	95.0
Referral fees from the Midland Group	10.0	50.0	50.0	40.0

As set out in the Letter from the Board, the Proposed Annual Caps for the Group in relation to the transactions contemplated under the Cross Referral Services Framework Agreement (2021) were determined by the Group were determined with reference to factors including the followings:

- (a) the historical transaction amounts between the Group and the Midland Group, with the Proposed Annual Caps calculated as follows:

(1) *Proposed Annual Caps for referral fees payable/paid to the Midland Group:*

(i) the historical transaction amounts of 2018 which had seen an active level of industrial and commercial properties and shops referrals; (ii) the expected level of referral fees payable/paid to the Midland Group in respect of industrial and commercial properties and shops for the relevant periods; and (iii) the Group's potential business growth based on the scale, operations of the businesses and capability of the Group and capacity to take on referrals.

(2) *Proposed Annual Caps for referral fees receivable/received from the Midland Group:*

(i) the historical transaction amounts of 2018; (ii) expected level of referral fees receivable/received from the Midland Group in respect of residential properties for the relevant periods; (iii) the possible increase in market transactions in Hong Kong residential

LETTER FROM SHINCO CAPITAL

market following the COVID-19 pandemic; and (iv) the Group's potential business growth based on the scale, operations of the businesses and capability of the Group and opportunity to make referrals.

- (b) property market and economic factors which are expected to carry direct or indirect impact on property transactions, including:
 - (1) the volatility of the property market in Hong Kong contributing to swings in transaction volume and value; and
 - (2) the possible outlook of local economic environmental conditions, including the relaxation of mortgage ceiling on non-residential properties by Hong Kong Monetary Authority in August 2020 and the abolition of the Double Ad Valorem Stamp Duty on non-residential properties with effect from 26 November 2020 which may drive transaction levels.

According to the Letter from the Board, the historical amount in the year ended 31 December 2018 served as the starting point in setting the proposed annual caps as it is considered that the market conditions in 2019 and 2020 were not reliable indicators of active transaction levels. The market conditions in the years of 2019 and 2020 were adversely affected by the intensified geopolitical tensions in 2019 and the unprecedented COVID-19 pandemic as well as the associated combating measures in 2020. Such adverse market conditions were extraordinary and had affected the transaction value and volume of Hong Kong properties market. The Company considers it prudent and reasonable to cater for the possibility in case such adverse market conditions subside, such that the Group may continue with these normal and ordinary course transactions without interruption, if transaction level does return to a higher level. By the same token, the Company considers it prudent and reasonable to cater for the possibility of the Group's business growth to allow flexibility for the Group to capture future business opportunities if they do arise.

(ii) Our analysis

We note that the Proposed Annual Caps are not higher than the previous annual caps. The proposed annual cap for referral fees payable to the Midland Group for each of the period in 2021, 2022 and 2023 decreased by approximately 15%, 24% and 34%, respectively, as compared to the previous annual caps for the years 2018, 2019 and 2020; and the proposed annual cap for referral fees receivable from the Midland Group for each of the period in 2021, 2022 and 2023 is the same as compared to the previous annual caps for the years 2018 and 2019 and decreased by 20% for the year 2020, respectively.

LETTER FROM SHINCO CAPITAL

To assess the fairness and reasonableness of the Proposed Annual Caps, we have discussed with the Management and reviewed relevant documents provided by the Management in relation to the basis and assumptions adopted for determining the Proposed Annual Caps.

In particular, we note that one of the references made in determining the Proposed Annual Caps are the historical transaction amounts between the Group and the Midland Group. To assess the abovementioned, we set out below (i) the previous annual caps of the referral fees from or to the Midland Group for each of the three financial years ended 31 December 2020 under the Cross Referral Services Framework Agreement (2018); and (ii) the historical amounts of the referral fees received from or paid to the Midland Group for each of the three financial years ended 31 December 2020 as stated in the Letter from the Board:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020
Previous annual caps:	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Referral fees to the Midland Group	130.0	145.0	145.0
Referral fees from the Midland Group	50.0	50.0	50.0
			Year ended 31 December 2020
Historical amounts:	Year ended 31 December 2018	Year ended 31 December 2019	(Note)
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Referral fees to the Midland Group	99.0	63.9	35.3
Referral fees from the Midland Group	27.8	21.7	21.3

Note: The historical transaction amounts for the year ended 31 December 2020 are preliminary and subject to audit.

As stated in the Letter from the Board, it is noted that such historical transaction amounts for the years 2019 and 2020 may be affected by specific market conditions, such as the effect of geopolitical tensions and global pandemic on the economy, and may not be reliable indicators of active transaction levels.

Based on the above tables, the utilisation rates of the previous annual caps are calculated to be (i) approximately 76.2%, 44.1% and 24.3% for the financial years ended 31 December 2018, 2019 and 2020, respectively, for the referral fees paid/payable to Midland Group in respect of industrial and commercial properties and shops; and (ii) approximately 55.6%, 43.4% and 42.6% for the financial years ended 31 December 2018, 2019 and 2020 for the referral fees received/receivable from Midland Group in respect of residential properties.

LETTER FROM SHINCO CAPITAL

We note that utilisation rates of the previous annual caps for referral fees to and from the Midland Group have demonstrated a decreasing trend, and dropped below 50% for the financial years ended 31 December 2019 and 2020. We also note that while the historical amounts for referral fees both to and from Midland Group were decreasing from 2018 to 2020, the decrease in referral fees paid/payable to Midland Group for non-residential property transactions was more significant than the decrease in referral fees received/receivable from Midland Group for residential property transactions. As indicated in the Letter from the Board, the market conditions in 2019 and 2020 were adversely affected by the intensified geopolitical tensions in 2019 and the unprecedented COVID-19 pandemic. Such adverse market conditions, as well as the associated combating measures in 2020 had led to a significant drop in the transaction value and volume of the non-residential properties in Hong Kong.

We are also given to understand that in determining the Proposed Annual Caps, the Management had taken into account property market and economic factors which are expected to carry direct or indirect impact on property transactions in Hong Kong, including the volatility of the property market in Hong Kong. In order to assess this factor, we have reviewed the statistics from the Land Registry of the Government of Hong Kong regarding the trend of the Hong Kong property market. Extracted below is a summary on the amount of consideration of agreements for sale and purchase of residential and non-residential building units from 2016 to 2020:

<i>(HK\$ million)</i>	2016	2017	2018	2019	2020
Consideration for sale and purchase of residential building units	428,041	556,348	559,293	548,795	548,233
<i>Year-on-year change</i>	<i>27.7%</i>	<i>30.0%</i>	<i>0.5%</i>	<i>-1.9%</i>	<i>-0.1%</i>
Consideration for sale and purchase of non-residential building units	104,816	170,067	182,090	143,644	80,152
<i>Year-on-year change</i>	<i>-20.7%</i>	<i>62.3%</i>	<i>7.1%</i>	<i>-21.1%</i>	<i>-44.2%</i>

Source: Land Registry of the Government of Hong Kong

As noted from the table above, the performance of property market in Hong Kong has fluctuated over the past few years.

For residential properties, the year-on-year fluctuations of the amount of consideration of sale and purchase agreements of building units varied from a decrease of approximately 1.9% in 2019 to an increase of approximately 30.0% in 2017 in the past five calendar years.

LETTER FROM SHINCO CAPITAL

For non-residential properties, the year-on-year fluctuations of the amount of consideration of sale and purchase agreements of building units varied from a decrease of approximately 44.2% in 2020 to an increase of approximately 62.3% in 2017 in the past five calendar years.

We also note that the amount of consideration of sale and purchase of non-residential properties has demonstrated a steeper decreasing trend since 2018 than residential properties. This coincides with the more significant decrease in historical amount of referral fees paid/payable to Midland Group for non-residential property transactions than the referral fees received/receivable from Midland Group for residential property transactions.

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

(iii) Our view on the Proposed Annual Caps

In respect of the Proposed Annual Caps for referral fees payable to Midland Group in relation to transactions of industrial and commercial properties and shops, based on (i) the decreasing historical amounts and utilisation of the previous annual caps of referral fees paid/payable to Midland Group; and (ii) the decreasing trend of the amount of consideration of sale and purchase agreements of non-residential building units in Hong Kong, we consider the decrease from the previous annual caps to the Proposed Annual Caps to be reasonable. Despite the decreasing trend of the historical transaction amounts, utilisation rates and the transaction value of Hong Kong non-residential property market, having (i) taken into account the volatile fluctuations of the Hong Kong property market; and (ii) having regard that buffer has been considered in determining the Proposed Annual Caps to allow for flexibility to capture business opportunities and business growth, we consider that the flat level over the three years under the Proposed Annual Caps, which decreased by approximately 15%, 24% and 34% for each of the period in 2021, 2022 and 2023, respectively, as compared to the previous annual caps for the year 2018, 2019 and 2020, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In respect of the Proposed Annual Caps for referral fees receivable from the Midland Group in relation to transactions of residential properties, based on (i) the decreasing historical amounts and utilisation of the previous annual caps of referral fees received/receivable from the Midland Group; (ii) the slight decrease in the amount of consideration of sale and purchase agreements of residential building units in Hong Kong in recent years; (iii) the volatile fluctuations of the Hong Kong property market; and (iv) our understanding that buffer has been considered in determining the Proposed Annual Caps to allow for flexibility to capture business opportunities and business growth, we consider that the Proposed

LETTER FROM SHINCO CAPITAL

Annual Caps, being the same as compared to the previous annual caps for the year 2018 and 2019 and decreased by 20% for the year 2020, to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In addition to the above, we also note from the Management that the historical amount in the year ended 31 December 2018 served as the starting point for the Management in setting the Proposed Annual Caps as it is considered that the adverse market conditions in 2019 and 2020 were extraordinary and had affected the transaction value and volume of Hong Kong properties market, thus were not reliable indicators of active transaction levels. On the basis that the launch of various types of vaccine against COVID-19 globally may help combat the COVID-19 pandemic, and given the volatile nature of the Hong Kong property market as demonstrated in the earlier sub-section, it is reasonable to allow for flexibility for the Group to capture potential future business opportunities in a timely manner to cater for possible business growth, we concur with the Directors' view that the aforesaid basis of determining the Proposed Annual Caps, which are not higher than the previous annual caps, are fair and reasonable.

Based on the above, we concur with the Directors' view that the Proposed Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As the Proposed Annual Caps relate to future events and are based on assumptions which may or may not remain valid for the entire term of the Cross Referral Services Framework Agreement (2021), consequently, we express no opinion as to how closely the actual amounts correspond with the Proposed Annual Caps.

4. Internal control measures

As set out in the Letter from the Board, to ensure that the transactions contemplated under the Cross Referral Services Framework Agreement (2021) will be conducted in accordance with its terms and the pricing policy and within the Proposed Annual Caps, the Group has in place the following internal control procedures to monitor the transactions contemplated under the Cross Referral Services Framework Agreement (2021):

- (a) the aggregate amount of referral fees payable/paid to and receivable/received from the Midland Group will be updated on a monthly basis for appraising the latest unutilised amounts available under the Proposed Annual Caps for the relevant period;
- (b) the terms and commission income allocations for the transactions under the Cross Referral Services Framework Agreement (2021) will be reviewed by the Group from time to time to ensure they are on normal commercial terms

LETTER FROM SHINCO CAPITAL

or better (i.e. terms obtainable on an arm's length basis or terms no less favourable to the Group than those available to or from independent third parties); and

- (c) annually, the transactions made under the Cross Referral Services Framework Agreement (2021) conducted during the financial year will also be reviewed by the independent non-executive Directors and reported by the auditors of the Company in compliance with the relevant requirements in Chapter 14A of the Listing Rules.

In connection with the above, we have reviewed relevant documents relating to the abovementioned procedures, including (i) samples of monthly reports of the Group which recorded the aggregate amount of referral fees payable/paid to and receivable/received from the Midland Group and calculations of remaining unutilised amounts available under the relevant annual caps; (ii) samples of internal approval forms which set out the relevant particulars of the referral transactions, the relevant agents and commission rebate allocation percentages for referral transactions between the Group and the Midland Group; and (iii) the annual reports of the Company for the financial years ended 31 December 2018 and 2019 and note that the independent non-executive Directors and the auditor of the Company have reviewed the transactions made under the Cross Referral Services Framework Agreement (2018).

Based on the above procedures and our review of the relevant documents, we are of the view that there are adequate internal controls in place to ensure the transactions contemplated under the Cross Referral Services Framework Agreement (2021) are conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

RECOMMENDATIONS

Having considered the factors and reasons as mentioned above, we are of the view that terms of the Cross Referral Services Framework Agreement (2021) are on normal commercial terms and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group. Further, we are of the view that the Cross Referral Services Framework Agreement (2021) and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve continuing connected transactions in relation to the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Shinco Capital Limited
Bobby Chow **Michele Wong**
Managing Director *Executive Director*

LETTER FROM SHINCO CAPITAL

Mr. Bobby Chow is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 10 years of experience in corporate finance industry.

Ms. Michele Wong is a licensed person registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and has over 5 years of experience in corporate finance industry.

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

(i) Long positions in the Shares and underlying Shares

Name of Director	Number of ordinary Shares			Number of underlying Shares	
	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporations	Approximate % of the issued voting Shares	Corporate interest/ Interest of controlled corporations	Approximate % of the issued voting Shares
Mr. Wong	33,061,500	897,401,928 <i>(Note 1)</i>	51.54%	434,782,608 <i>(Note 2)</i>	24.08%

Notes:

- 273,907,222 Shares were held by Sunluck which is indirectly wholly-owned by Mr. Wong through his wholly-owned company, namely Southern Field Trading Limited (“**Southern Field**”), and 623,494,706 Shares were held by Wealth Builder which is indirectly wholly-owned by Mr. Wong through his wholly-owned company, namely Luck Gain Holdings Limited (“**Luck Gain**”).
- Such interests in underlying Shares (being physically settled unlisted derivatives) represent 434,782,608 ordinary Shares to be issued to Wealth Builder upon exercise in full of the conversion right attached to the convertible note due 2021 in the principal amount of HK\$200 million at the conversion price at HK\$0.46 per ordinary Share issued by the Company pursuant to an acquisition agreement dated 10 January 2017.

GENERAL INFORMATION

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

Name of associated corporation	Name of Director	Number of ordinary shares of associated corporation	Capacity	Approximate % of the issued voting shares of associated corporation
Powerful Surge Group Limited	Ms. WONG Ching Yi, Angela	5	Personal interest/ Beneficial owner	5%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, Mr. Wong was a director of Wealth Builder, Luck Gain, Sunluck and Southern Field, all being companies which had an interest in the Shares and/or underlying Shares as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO; and Ms. WONG Ching Yi, Angela (an executive Director) was a director of Wealth Builder and Luck Gain. Save as disclosed above, so far as is known to the Directors, no Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had an existing or proposed service contract with any member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

GENERAL INFORMATION

4. COMPETING INTERESTS

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

- (i) Mr. Wong is the chairman and executive director of Midland and is directly and indirectly interested in approximately 36.97% of all issued Midland Shares; and
- (ii) Ms. WONG Ching Yi, Angela held directorships in the Midland Group.

As the Board is independent of the board of directors of Midland and none of the above Directors can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the business of the Midland Group.

5. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

Save as disclosed below, as at the Latest Practicable Date, (i) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2019, being the balance sheet date of the latest published audited consolidated financial statements of the Group, acquired or disposed of by or leased to any member(s) of the Group, or were proposed to be acquired or disposed of by or leased to, any member(s) of the Group and (ii) none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group:

- (i) A tenancy agreement was made on 30 April 2019 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company directly wholly-owned by Mr. Wong as landlord whereby the landlord agreed to let the premises located at Nos. 11-17, 7th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Kowloon, Hong Kong as office for the real estate agency business of the Group for a term of three years commencing from 1 May 2019 to 30 April 2022 at a monthly rental of HK\$250,000 without rent-free period (details of which were disclosed in the announcement of the Company dated 30 April 2019).
- (ii) A licence agreement for signage(s) was made on 15 November 2019 between Crown Lucky Investment Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner Investment Limited, a company indirectly wholly-owned by Mr. Wong, as licensor whereby a licence was granted to install signage at the designated space 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 for marketing and promotion of the real estate agency business of the Group for a term of one year commencing from 1 December 2019 to 30 November 2020 at a monthly licence fee of HK\$78,000.

GENERAL INFORMATION

- (iii) A sharing agreement was made on 12 March 2020 between Legend Credit Limited, an indirect wholly-owned subsidiary of the Company, as licensee and mReferral Corporation (HK) Limited, a company indirectly held as to 50% by Midland, as licensor whereby a licence was granted to share the use of the 17th Floor of Overseas Trust Bank Building, No. 160 Gloucester Road, Hong Kong and exclusively occupy certain numbers of seating accommodations for general office work in connection with the business of the licensee for a term of two years from 19 September 2019 to 18 September 2021 at a monthly licence fee of HK\$35,190. Ms. WONG Ching Yi, Angela, an executive Director of the Company, is also a director of mReferral Corporation (HK) Limited (details of which were disclosed in the announcement of the Company dated 14 July 2020).
- (iv) A licence agreement for signage(s) was made on 25 January 2021 between Crown Lucky Investment Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner Investment Limited, a company indirectly wholly-owned by Mr. Wong, as licensor whereby a licence was granted to install signage at the designated space 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 for marketing and promotion of the real estate agency business of the Group for a term of one year commencing from 1 December 2020 to 30 November 2021 at a monthly licence fee of HK\$73,000.

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 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. EXPERT AND CONSENT

- (i) Shinco Capital is a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Cross Referral Services Framework Agreement (2021), the transactions contemplated thereunder and the Proposed Annual Caps.
- (ii) Shinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its names in the form and context in which they respectively appear.

GENERAL INFORMATION

- (iii) As at the Latest Practicable Date, Shinco Capital did not have (a) any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MISCELLANEOUS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (i) the Cross Referral Services Framework Agreement (2018);
- (ii) the Cross Referral Services Framework Agreement (2021);
- (iii) the written consent referred to in the paragraph headed “Expert and Consent” above;
- (iv) the letter from the Independent Board Committee as set out in pages 17 to 18 in this circular;
- (v) the letter from Shinco Capital, the Independent Financial Adviser, as set out in pages 19 to 39 in this circular; and
- (vi) this circular.

NOTICE OF EGM



Midland IC&I Limited

美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

NOTICE 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 Thursday, 1 April 2021 at 11:30 a.m. for the purpose of considering and, if thought fit, passing, with or without amendment, the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the entering into of the cross referral services framework agreement (2021) (the “**Cross Referral Services Framework Agreement (2021)**”) as defined and described in the circular of the Company dated 15 March 2021 (the “**Circular**”) between the Company and Midland Holdings Limited (a copy of the Cross Referral Services Framework Agreement (2021) having been produced to the Meeting and marked “A” and signed by the chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder and in connection therewith and any other documents ancillary to it, be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps as contemplated under the Cross Referral Services Framework Agreement (2021) be and are hereby approved, ratified and confirmed; and
- (c) any director(s) of the Company be and is/are hereby authorized for and on behalf of the Company to do all acts and things and execute any agreements, deeds, instruments and any other documents, under hand or under seal, or make such arrangement as he/she/they may determine to be appropriate, necessary or desirable to give effect to or in connection with the Cross Referral Services Framework Agreement (2021) and the transactions contemplated thereunder and, subject to and in accordance with the applicable laws and regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating thereto in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 15 March 2021

* *For identification purpose only*

NOTICE OF EGM

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

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

Notes:

1. The resolution at the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities (the “**Listing Rules**”) 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.
2. A member of the Company 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 proxy to attend and vote in his stead. A proxy need not be a member of the Company.
3. Whether or not you intend to attend the Meeting in person, you are requested to complete and return the proxy form in accordance with the instructions stated thereon.
4. To be valid, the completed proxy form together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a proxy form will not preclude you from attending and voting in person at the Meeting and at any adjournment thereof. In any event, the proxy form shall be deemed to be revoked.
5. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased member of the Company in whose name any share stands shall be deemed joint holders thereof in accordance with the articles of association of the Company.
6. The register of members of the Company will be closed from Monday, 29 March 2021 to Thursday, 1 April 2021, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 March 2021.