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CONTINUING CONNECTED TRANSACTIONS RENEWAL OF SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 7 April 2014 which contains information relating to the Services Agreement (2014) entered into between the Company and Midland and the annual caps for the continuing connected transactions for the fees received/receivable by the Group thereunder for the three (3) years ended 31 December 2014, 2015 and 2016.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

As the term of the Services Agreement (2014) has expired, on 7 February 2017, the Company entered into the Services Agreement (2017) with Midland in relation to the Services to be provided to the Midland Group for a term of three (3) years commencing on 1 January 2017 and ending on 31 December 2019 (both days inclusive).

Further, as the annual caps for the continuing connected transactions under the Services Agreement (2014) have expired, the Board has resolved to set the new annual caps for the continuing connected transactions for the fees to be received by the Group under the Services Agreement (2017).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Midland is interested in approximately 44.58% of the issued share capital of the Company and is therefore a Controlling Shareholder. The transactions contemplated under the Services Agreement (2017) will constitute continuing connected transactions for the Company under the Listing Rules.

The Annual Caps for each year are more than 0.1% but all of them are less than 5% under the applicable percentage ratios (other than the profits ratio). Accordingly, pursuant to Rule 14A.76 of the Listing Rules, the Transactions are only subject to the announcement, reporting and annual review requirements set out in Chapter 14A of the Listing Rules. The Transactions are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Services Agreement (2017) will be included in the relevant annual report of the Company in accordance with Rule 14A.71 of the Listing Rules.

**For identification purposes only*

SERVICES AGREEMENT (2017)

(i) Date

7 February 2017

(ii) Parties

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

Midland is a Controlling Shareholder and hence a connected person of the Company. As at the date of this announcement, Midland indirectly holds approximately 44.58% of the issued share capital of the Company.

(iii) Term

3 years commencing on 1 January 2017 and ending on 31 December 2019 (both days inclusive).

(iv) Services covered by the Services Agreement (2017)

Pursuant to the Services Agreement (2017), the Midland Group may refer prospective purchasers of property in Hong Kong to the Company to apply for cashier's orders in favour of property developers or any entity designated by such property developers.

The Group may, at its discretion, determine whether to assist in procuring the issuance of a cashier's order after receiving each referral. If the relevant member of the Group shall agree to assist in procuring the issuance of a cashier's order, it shall have the right to require the relevant purchaser to place an equivalent amount of money with it either (i) in cash; (ii) by way of a cheque; (iii) through bank account transfer; or (iv) through credit card payment, before proceeding to assist in procuring a cashier's order.

Midland and the Company acknowledge and agree that the aggregate value of cashier's orders issued but not returned to the relevant member of the Group at any one time in connection with the Services provided pursuant to the Services Agreement (2017) shall not exceed HK\$400,000,000.

(v) Fees

The service fees (exclusive of disbursements) payable by Midland to the relevant member of the Group in connection with each cashier's order which is provided or renewed by the Group pursuant to the Services Agreement (2017) shall be charged at the rate of 0.125% of the face value of the cashier's order for every 15-day period, any period less than 15 days would be rounded up to a whole 15-day period and charged at 0.125%. In addition to the above service fees, Midland shall reimburse the Group for any disbursements incurred by the Group for the provision of the Services.

ANNUAL CAPS

(i) Historical figures under Services Agreement (2014)

For the financial years ended 31 December 2014, 2015 and 2016, the amounts of fees received by the Group from Midland under the Services Agreement (2014) are as follows:

	Year ended 31 December 2014 <i>(HK\$ million)</i>	Year ended 31 December 2015 <i>(HK\$ million)</i>	Year ended 31 December 2016 <i>(HK\$ million)</i>
Amounts of fees received by the Group from Midland under the Services Agreement (2014)	5.3	0.7	0.4

(ii) Annual Caps for Services Agreement (2017)

The maximum annual amounts of fees expected to be received/receivable by the Group from Midland under the Services Agreement (2017) for the financial years ending 31 December 2017, 2018 and 2019 are as follows:

	Year ending 31 December 2017 <i>(HK\$ million)</i>	Year ending 31 December 2018 <i>(HK\$ million)</i>	Year ending 31 December 2019 <i>(HK\$ million)</i>
Maximum annual amounts of fees expected to be received/receivable by the Group from Midland under the Services Agreement (2017)	12.0	12.0	12.0

The Annual Caps were determined by reference to the estimated demand for the Services for the years ending 31 December 2017, 2018 and 2019, the fees payable under the Services Agreement (2017), and the historical amounts of fees received by the Group from Midland under the Services Agreement (2014).

PRINCIPAL BUSINESS ACTIVITIES

The Company is an investment holding company and the principal business activities of its subsidiaries are provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong. The principal business activities of the Midland Group are provision of property agency services in respect of residential properties in Hong Kong, Macau and the PRC.

REASONS FOR THE TRANSACTIONS

The Directors (including the independent non-executive Directors) consider that the terms of the Transactions are on normal commercial terms or better and, together with the Annual Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors consider that the Transactions would provide flexibility to the Group to utilise its surplus cash at its discretion for an enhanced return, which surplus cash might otherwise be placed with banks as deposits attracting a lower return. They consider that the Transactions are in the interests of the Company and the Shareholders as a whole. As Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela are directors of both the Company and Midland, they have abstained from voting on the resolutions at the Board meeting approving the Services Agreement (2017).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Midland is interested in approximately 44.58% of the issued share capital of the Company and is therefore a Controlling Shareholder. The transactions contemplated under the Services Agreement (2017) will constitute continuing connected transactions for the Company under the Listing Rules.

The Annual Caps for each year are more than 0.1% but all of them are less than 5% under the applicable percentage ratios (other than the profits ratio). Accordingly, pursuant to Rule 14A.76 of the Listing Rules, the Transactions are only subject to the announcement, reporting and annual review requirements set out in Chapter 14A of the Listing Rules. The Transactions are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Services Agreement (2017) will be included in the relevant annual report of the Company in accordance with Rule 14A.71 of the Listing Rules.

DEFINITIONS

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

“Annual Caps”	in relation to any financial year of the Company ending 31 December 2017, 2018 and 2019, the maximum annual amounts of fees expected to be received/receivable by the Group in connection with the Services under the Services Agreement (2017)
“Board”	the board of Directors
“Company”	Midland IC&I Limited (stock code: 459), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Controlling Shareholder”	has the same meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the PRC
“Midland”	Midland Holdings Limited (stock code: 1200), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Midland Group”	Midland and its subsidiaries
“PRC”	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Services”	the cashier’s order procurement services provided by the Group to prospective purchasers of property in Hong Kong referred by Midland Group, as more particularly described in the paragraph headed “Services covered by the Services Agreement (2017)” in this announcement
“Services Agreement (2014)”	the services agreement dated 7 April 2014 entered into between the Company and Midland in relation to the cashier’s order procurement services
“Services Agreement (2017)”	the services agreement dated 7 February 2017 entered into between the Company and Midland in relation to the Services
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the provision of the Services by the Group pursuant to the Services Agreement (2017)

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

Hong Kong, 7 February 2017

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