

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

On 6 June 2007, the Company entered into the Existing Cross Referral Services Agreement with Midland to provide for the basis on which Cross Referral Services would be provided by each of them to the other. The Existing Cross Referral Services Agreement will expire on 31 December 2009.

As Cross Referral Services will continue to be provided by the Group and Midland Group as part of their respective usual and normal course of business, a new cross referral services agreement was entered into by the Company and Midland on 5 November 2009 for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012.

As Midland is the controlling shareholder of the Company, the transactions contemplated under the New Cross Referral Services Agreement constitute continuing connected transactions for the Company under the Listing Rules. Further, as all of the applicable percentage ratios in respect of the Annual Cap are more than 2.5%, the Company will comply with the independent shareholders' approval requirements in Rule 14A.48 of the Listing Rules for such Transactions as not falling under Rule 14A.34 of the Listing Rules, and in particular they, together with the Annual Cap, shall be made conditional on approval by the Independent Shareholders pursuant to Rule 14A.52 of the Listing Rules at the EGM at which Midland and its associates will abstain from voting on the relevant resolution(s). The Company will monitor the transaction amounts closely and in the event that the requisite Independent Shareholders' approval is not obtained, it will only carry out the Transactions where each or all of the percentage ratios (other than the profits ratio) is/are on an annual basis less than the thresholds set out in Rule 14A.34 of the Listing Rules.

An independent board committee of the Company, comprising all the independent non-executive Directors, will be formed to advise the Independent Shareholders in connection with the New Cross Referral Services Agreement and the Annual Cap. An independent financial adviser will also be appointed to advise the independent board committee and the Independent Shareholders on the same.

A circular containing, among other things, further information of the New Cross Referral Services Agreement and the Annual Cap, a letter from the independent board committee of the Company, the recommendation of the independent financial adviser, together with a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcements of the Company dated 30 March 2007 and 7 April 2008, and circulars of the Company dated 7 May 2007 and 28 April 2008 in relation to, inter alia, the Cross Referral Services.

In connection with the provision of such services, the Company entered into the Existing Cross Referral Services Agreement with Midland on 6 June 2007 to provide for the basis on which such services would be provided by each of them to the other. The Existing Cross Referral Services Agreement will expire on 31 December 2009.

As Cross Referral Services will continue to be provided by the Group and Midland Group as part of their respective usual and normal course of business, a new cross referral services agreement was entered into by the Company and Midland on 5 November 2009 for a term of 3 years commencing from 1 January 2010 and ending on 31 December 2012 to comply with the Listing Rules.

## **NEW CROSS REFERRAL SERVICES AGREEMENT**

The material terms of the New Cross Referral Services Agreement are summarised below:

1. *Date*

5 November 2009

2. *Parties*

- (1) The Company
- (2) Midland

3. *Term*

3 years from 1 January 2010 to 31 December 2012 (both days inclusive)

4. *Services covered by the New Cross Referral Services Agreement*

Pursuant to the New Cross Referral Services Agreement:

- (1) Midland Group shall have the right to refer any business opportunity falling within the Group's estate agency business in respect of industrial and commercial (office and shop) properties in Hong Kong, Macau and the PRC to the relevant members of the Group on a case-by-case basis; and
- (2) similarly, the Group shall have the right to refer any business opportunity falling within Midland Group's estate agency business in respect of residential properties in Hong Kong, Macau and the PRC to the relevant members of Midland Group on a case-by-case basis.

There is no commitment on any member of the Group or Midland Group to refer to the other such transactions of any minimum number and/or amount. Where concluded between the relevant parties, the terms and conditions for the provision of such Cross Referral Services shall be reduced into individual written agreements.

5. *Referral fees*

Generally, the commission income shall be allocated as to 80% to the party who makes the referral of the transaction in question and 20% to the party who accepts such referral respectively subject to adjustments as negotiated between the parties with reference to, inter alia, the workload of the respective agents and the nature of the referral. In general, a party referring a buyer would receive more commission income than a party referring a seller while a party acting as the sole or exclusive agent for the sale of a property would also receive more commission income. In any event, under the New Cross Referral Services Agreement, the allocation of commission income shall be either on normal commercial terms or, if there are

not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to or from (as appropriate) the relevant members of the Group than terms available to or from (as appropriate) independent third parties.

## ANNUAL CAP

For the years ended 31 December 2007 and 2008, and the six months ended 30 June 2009, the amount of fees paid or received by the Group for the Cross Referral Services is as follows:

	<b>Year ended 31 December 2007</b> <i>(HK\$ million)</i>	<b>Year ended 31 December 2008</b> <i>(HK\$ million)</i>	<b>Six months ended 30 June 2009</b> <i>(HK\$ million)</i>
Referral fees paid to Midland Group in respect of industrial and commercial (office and shop) properties	31.17 <i>(Note)</i>	18.02	15.40
Referral fees received from Midland Group in respect of residential properties	20.51 <i>(Note)</i>	10.53	6.42

*Note:* These include internal referral fees paid or received by the industrial and commercial property brokerage segment of Midland Group (which became part of the Group as a result of the acquisition thereof by the Company from Midland Group in 2007) to or from the residential property brokerage segment of Midland Group.

The Company confirms that up to the date of this announcement, the aggregate amount of fees paid or received by the Group for the Cross Referral Services during 2009 does not exceed the existing annual cap which was set at HK\$60 million and HK\$50 million respectively.

Based on the aforesaid historical transaction values and in view of the continuous growth of the property markets in Hong Kong, Macau and the PRC (both in terms of number and value of transactions), it is proposed that the Annual Cap for the referral fees payable by the Group to Midland Group for the 3 years ending 31 December 2010, 2011 and 2012 be fixed at HK\$50 million, HK\$55 million and HK\$60 million respectively, while the Annual Cap for the referral fees payable by Midland Group to the Group for the 3 years ending 31 December 2010, 2011 and 2012 be fixed at HK\$35 million, HK\$40 million and HK\$45 million respectively.

## GENERAL

The Company is an investment holding company and the principal activities of its subsidiaries are provision of property brokerage services in respect of industrial and commercial properties and shops in Hong Kong.

The principal business activities of Midland Group are provision of property agency services in Hong Kong, Macau and the PRC.

As the Cross Referral Services will be provided in the ordinary and usual course of business of the Group, the Directors (other than the independent non-executive Directors who will opine on the same after having considered the advice of the independent financial adviser) consider that the terms of the Transactions contemplated under the New Cross Referral Services Agreement are based on normal commercial terms, or on terms no less favourable than those available to or from independent third

parties, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Annual Cap is fair and reasonable.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Midland is interested in approximately 51.81% of the issued share capital of the Company and therefore, a controlling shareholder of the Company. Accordingly, the transactions contemplated under the New Cross Referral Services Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Further, as all of the applicable percentage ratios in respect of the Annual Cap are more than 2.5%, the Company will comply with the independent shareholders' approval requirements in Rule 14A.48 of the Listing Rules for such Transactions as not falling under Rule 14A.34 of the Listing Rules, and in particular they, together with the Annual Cap, shall be made conditional on approval by the Independent Shareholders pursuant to Rule 14A.52 of the Listing Rules at the EGM at which Midland and its associates will abstain from voting on the relevant resolution(s). The Company will monitor the transaction amounts closely and in the event that the requisite Independent Shareholders' approval is not obtained, it will only carry out the Transactions where each or all of the percentage ratios (other than the profits ratio) is/are on an annual basis less than the thresholds set out in Rule 14A.34 of the Listing Rules.

An independent board committee of the Company, comprising all the independent non-executive Directors, will be formed to advise the Independent Shareholders in connection with the New Cross Referral Services Agreement and the Annual Cap. An independent financial adviser will also be appointed to advise the independent board committee and the Independent Shareholders on the same.

A circular containing, among other things, further information of the New Cross Referral Services Agreement and the Annual Cap, a letter from the independent board committee of the Company, the recommendation of the independent financial adviser, together with a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

## **DEFINITIONS**

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

"Annual Cap"	in relation to any financial year of the Company, the maximum annual amount of referral fees expected to be received or paid by the Group in connection with the Cross Referral Services
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Company"	Midland IC&I Limited (Stock Code: 459), a company incorporated in the Cayman Islands with limited liability with its shares listed on the main board of the Stock Exchange
"Cross Referral Services"	the cross referral services provided by the Group and Midland Group to the other as more particularly described in the paragraph headed "Services covered by the New Cross Referral Services Agreement" in this announcement
"Directors"	the directors of the Company

"EGM"	the extraordinary general meeting of the Company proposed to be held for the purpose of approving such Transactions as not falling under Rule 14A.34 of the Listing Rules and the Annual Cap
"Existing Cross Referral Services Agreement"	the cross referral services agreement dated 6 June 2007 entered into between the Company and Midland in relation to the Cross Referral Services
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	Shareholders other than Midland and its associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Midland"	Midland Holdings Limited (Stock Code: 1200), a company incorporated in Bermuda with limited liability with its shares listed on the main board of the Stock Exchange
"Midland Group"	Midland and its subsidiaries (but excluding the Group for the purpose of this announcement)
"New Cross Referral Services Agreement"	the new cross referral services agreement dated 5 November 2009 entered into between the Company and Midland in relation to the Cross Referral Services
"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
"Shareholders"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transactions"	the provision or acceptance, as the case may be, of the Cross Referral Services by the Group pursuant to the New Cross Referral Services Agreement

By order of the Board  
**Midland IC&I Limited**  
**WONG Tsz Wa, Pierre**  
*Executive Director and Chief Executive Officer*

Hong Kong, 5 November 2009

*As at the date of this announcement, the Board comprises six Directors, of which two are executive Directors, namely, Ms. Tang Mei Lai, Metty and Mr. Wong Tsz Wa, Pierre; one non-executive Director, namely, Mr. Tsang Link Carl, Brian; and three are independent non-executive Directors, namely, Mr. Ying Wing Cheung, William, Mr. Sha Pau, Eric and Mr. Ho Kwan Tat, Ted.*

\* *For identification purpose only*