THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Midland IC&I Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARES OF MOST WEALTH (HONG KONG) LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE NOTE; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

The circular contains, among other things, a letter from the Board, a letter from the Independent Board Committee and a letter from Altus Capital Limited (as the Independent Financial Adviser) containing its advice to the Independent Board Committee and the Independent Shareholders, all as referred to in the contents page of this circular.

A notice convening an extraordinary general meeting of Midland IC&I Limited at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on 6 March 2017 at 11:00 a.m. is set out at the end of this circular.

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

* *For identification purpose only*

17 February 2017

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

"Acquisition"	the acquisition of the entire issued shares of the Target Company by the Purchaser from the Seller pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the acquisition agreement entered into on 10 January 2017 (after trading hours) among the Purchaser, the Company and the Seller in respect of the Acquisition
"Announcement"	the announcement of the Company dated 10 January 2017
"associate(s)"	has the same meaning as defined in the Listing Rules
"Authorised Person"	means the authorised person (as defined in section 2(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong))
"Board"	the board of the Directors
"Business Day"	a day (other than any Saturday and Sunday) on which banks are open in Hong Kong to general public for business
"Cash Adjustment"	the amount equivalent to the net amount of the Other Assets and Liabilities of the Target Company at Completion
"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
"Completion"	completion of the Acquisition
"Completion Date"	the date falling on the fifth Business Day after all the conditions precedent as specified in the Acquisition Agreement have been fulfilled or waived (or such other date as the Seller and the Purchaser may agree in writing)
"connected person(s)"	has the same meaning as defined in the Listing Rules
"Consideration"	the consideration of HK$400.0 million (subject to Cash Adjustment) payable by the Purchaser for the Acquisition pursuant to the Acquisition Agreement

"Consideration Shares"	4,347,826,086 new Shares to be allotted and issued by the Company to the Seller pursuant to the Acquisition Agreement as payment of part of the Consideration
"controlling Shareholder"	has the same meaning as defined in the Listing Rules
"Conversion Price"	HK$0.046, subject to adjustments as set out in accordance with the terms and conditions of the Convertible Note, if applicable
"Conversion Shares"	the new Shares to be allotted and issued upon conversion of the Convertible Note
"Convertible Note"	the convertible note in the principal amount of HK$200.0 million to be issued by the Company to the Seller pursuant to the Acquisition Agreement as payment of part of the Consideration
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened on 6 March 2017 for the purpose of considering and, if thought fit, approving, among other things, the Acquisition Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board constituted, in compliance with the Listing Rules, to advise the Independent Shareholders as regards the terms of the Acquisition Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Altus"	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition

"Independent Shareholders"	the Shareholders other than the Seller and his associates
"Issue Price"	the issue price of HK$0.046 per Consideration Share
"Last Trading Day"	10 January 2017, being the last trading day of the Shares before the publication of the Announcement
"Latest Practicable Date"	14 February 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Committee"	has the same meaning as defined in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 September 2017 (or such later date as the parties to the Acquisition Agreement may otherwise agree in writing)
"Midland Holdings"	Midland Holdings Limited (stock code: 1200), a company incorporated in Bermuda with limited liability and the controlling Shareholder of the Company, the shares of which are listed on the main board of the Stock Exchange
"Midland Holdings Shares"	the ordinary shares with par value of HK$0.1 each in the issued share capital of Midland Holdings
"Other Assets and Liabilities"	the Target Company's total assets (other than the Property and all the fixtures, fittings, equipment and other items and system added or installed in the Property under the Property Enhancement Project) less the total liabilities and the estimated outstanding costs (which have not yet accrued in the financial statements of the Target Company and is calculated with reference to the estimated costs of approximately HK$59 million) for completion of the Property Enhancement Project
"PRC" or "China"	the People's Republic of China and, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Property"	a property located at Nos. 33 and 35 Java Road, Hong Kong

"Property Enhancement Project"	the asset enhancement project for, among other things, the fitting-out, adaptation, refurbishment, renovation, retro-fitting, repair and maintenance of the Property for use as serviced apartments and shops in accordance with all those material contracts and contract documents in respect thereof and the relevant approved plans and specifications
"Purchaser"	Beyond Summit Investments Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
"Seller" or "Mr. WONG"	Mr. WONG Kin Yip, Freddie, a Shareholder holding approximately 6.78% of the issued share capital of the Company as at the Latest Practicable Date, who is the spouse of Ms. TANG Mei Lai, Metty, a non-executive Director, and the father of Ms. WONG Ching Yi, Angela, an executive Director
"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) with par value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"sq. ft."	square feet
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on the Takeovers and Mergers
"Target Company"	Most Wealth (Hong Kong) Limited, a company incorporated in Hong Kong with its entire issued shares currently held by the Seller
"Target Date"	30 June 2017, subject to extension of time as may be granted under the material contracts in respect of the Property Enhancement Project
"%"	per cent.

Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

Non-Executive Directors:
Mr. KAN Chung Nin, Tony *(Chairman)*
Ms. TANG Mei Lai, Metty
Mr. TSANG Link Carl, Brian
(with Mr. CHU Kuo Fai, Gordon as his alternate)

Executive Directors:
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

17 February 2017

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARES OF MOST WEALTH (HONG KONG) LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE NOTE; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

(A) INTRODUCTION

The Board announced that on 10 January 2017 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, the Company and the Seller entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire

* *For identification purpose only*

and the Seller has conditionally agreed to sell the entire issued shares of the Target Company. The principal asset of the Target Company is the entire interest in the Property. The Property is currently under the Property Enhancement Project and is expected to be used as serviced apartments and shops on or before the Target Date.

The purpose of this circular is to give you, among other things, (i) further information on the Acquisition; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) the letter of advice from Altus to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

(B) THE ACQUISITION

The Acquisition Agreement

Date: 10 January 2017 (after trading hours)

Parties: (i) the Purchaser, a wholly-owned subsidiary of the Company;

(ii) the Purchaser's guarantor: the Company; and

(iii) the Seller: Mr. WONG

The Seller is Mr. WONG, who is the spouse of Ms. TANG Mei Lai, Metty (a non-executive Director) and the father of Ms. WONG Ching Yi, Angela (an executive Director). As at the Latest Practicable Date, Mr. WONG is also a Shareholder holding 929,150,720 Shares, representing approximately 6.78% of the existing issued share capital of the Company. Mr. WONG is the chairman and a non-executive director of Midland Holdings, and holds 185,830,144 Midland Holdings Shares, representing approximately 25.88% of the issued share capital of Midland Holdings as at the Latest Practicable Date.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Seller has conditionally agreed to sell the entire issued shares of the Target Company. The principal asset of the Target Company is the entire interest in the Property, which is currently under the Property Enhancement Project and is expected to be used as serviced apartments and shops on or before the Target Date.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

The Consideration

The Consideration is agreed at HK$400.0 million, subject to the Cash Adjustment mentioned below. The Consideration was agreed after arm's length negotiations between the Purchaser and the Seller having taken into account, among others, (i) the prevailing market conditions and the preliminary estimated market value of the Property upon completion of the Property Enhancement Project of HK$415.0 million; (ii) the undertaking by the Seller to procure completion of the Property Enhancement Project; and (iii) the prospects of the business activity of the Target Company, i.e. expected operation of the Property as serviced apartments and shops upon completion of the Property Enhancement Project, which has been taken into account in the preliminary estimated market value of the Property of HK$415.0 million.

The Consideration will be settled at Completion by a combination of (i) the allotment and issue of the Consideration Shares in the amount of HK$200.0 million; and (ii) the issue of the Convertible Note in the amount of HK$200.0 million. At Completion, 4,347,826,086 Consideration Shares will be allotted and issued at the Issue Price of HK$0.046 per Consideration Share by the Company to the Seller. The Convertible Note is interest-free, unsecured, with a maturity of four years from its date of issue and carrying rights to convert into the Conversion Shares at the initial Conversion Price of HK$0.046 per Conversion Share (subject to adjustment(s)). Upon full conversion of the Convertible Note at the initial Conversion Price, a total number of 4,347,826,086 Conversion Shares will be allotted and issued. A summary of the principal terms of the Convertible Note is set out in section (D) headed "The Convertible Note" in this letter from the Board.

The Cash Adjustment will be paid in cash and settled on a dollar-for-dollar basis by: (i) the Purchaser to the Seller if the net amount of the Other Assets and Liabilities of the Target Company is positive at Completion; or (ii) the Seller to the Purchaser if the net amount of the Other Assets and Liabilities of the Target Company is negative at Completion. The Cash Adjustment, if payable by the Purchaser, will not exceed HK$20.0 million. The purpose of the cap on the Cash Adjustment is to avoid any possible significant cash outlay over HK$20.0 million payable by the Group and the amount of HK$20.0 million was determined with reference to (i) the net amount of the Other Assets and Liabilities of the Target Company as at 16 December 2016 of approximately HK$110,000; (ii) the Consideration of HK$400.0 million; and (iii) the estimated costs for completion of the Property Enhancement Project of approximately HK$59 million.

Conditions precedent

Completion is subject to the following conditions being satisfied (or waived, if applicable):

(a) the Purchaser having issued a written notice to the Seller that the Purchaser is satisfied with the due diligence review on the Target Company and its assets, including that the solicitors of the Purchaser having approved the title of the Target Company to the Property;

(b) the ordinary resolution(s) for approving the Acquisition Agreement and the transactions contemplated thereunder having been duly passed by the Shareholders or, where applicable, the Independent Shareholders at the EGM;

(c) the Listing Committee having granted the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares on the Stock Exchange;

(d) no indication from the Stock Exchange having been received to the effect that the listing of Shares will or may be withdrawn or objected to for any reason attributable to the transactions contemplated under the Acquisition Agreement or the Completion;

(e) no material adverse change having occurred in relation to the Target Company which has or, in the reasonable opinion of the Purchaser, is likely to have a material adverse effect on the financial position, business or assets and property (including its title interests and rights to and in the Property), or results of operations of the Target Company;

(f) no material adverse change having occurred in relation to the Company or the Group as a whole which has or, in the reasonable opinion of the Seller, is likely to have a material adverse effect on the financial position, business or assets and property, or results of operations of the Company or the Group as a whole;

(g) the representations, warranties and undertakings made or given by the Seller under the Acquisition Agreement being true and accurate, and not misleading, in any material respects;

(h) the representations, warranties and undertakings made or given by the Purchaser and the Company under the Acquisition Agreement being true and accurate, and not misleading, in any material respects;

(i) the issue of a valuation report by a professional independent valuer that the appraised value of the Property shall be at least HK$400.0 million; and

(j) the mortgage registered against the Property shall be discharged.

The Purchaser may waive any of the conditions in (a), (e) and (g) above (if and to the extent such waiver will not result in non-compliance of the Listing Rules and other regulatory requirements) and the Seller may waive any of the conditions in (f) and (h) above by notice in writing to the other party. In the event that any of the conditions shall not have been fulfilled (or waived, where applicable) in all respects prior to the Long Stop Date, the Acquisition Agreement shall be terminated automatically. As at the Latest Practicable Date, save for conditions (i) and (j) none of the above conditions has been fulfilled.

Completion

Upon fulfillment and/or waiver of all the conditions precedent set out above, Completion shall take place on the Completion Date.

Property Enhancement Project

As at the Latest Practicable Date, the Property Enhancement Project is in progress. The Property Enhancement Project was commenced in late 2015 and it is in the final stage. The outstanding work mainly relates to interior fitting-out and submission of completion of work to the relevant authority. The completion of works under the Property Enhancement Project as certified by the Authorised Person permitting the Company to enter into the Property for use or operation is expected to take place on or before 30 June 2017.

The Seller has undertaken to the Purchaser that (a) the Seller shall procure that the Property Enhancement Project will be executed and completed on or before the Target Date; and (b) the Seller shall bear all the costs of the Property Enhancement Project in accordance with the terms and conditions of the Acquisition Agreement. If after payment of the Cash Adjustment, the final costs for completion of the Property Enhancement Project is different from the estimated costs of approximately HK$59 million (which is determined by reference to, among other things, the amount payable under the main contract in respect of the Property Enhancement Project as certified by the Authorised Person), the difference shall be payable by the Seller to the Purchaser (in the case where the final costs exceed the estimated costs) or by the Purchaser to the Seller (in the case where the estimated costs exceed the final costs) on a dollar-for-dollar basis in cash. The difference payable by the Purchaser will not exceed HK$20 million in any event. The cap of HK$20 million payable by the Purchaser to the Seller was determined by reference to the estimated costs for completion of the Property Enhancement Project of approximately HK$59 million and the scale of the Property Enhancement Project. For the avoidance of doubt, there is no cap on the amount payable by the Seller to the Purchaser, and the Seller has already injected cash of HK$59 million into the Target Company for payment of the said estimated costs, of which approximately HK$31 million has been paid or accrued as at 16 December 2016, and approximately HK$28 million is remain unbilled.

(C) THE CONSIDERATION SHARES

The Consideration Shares will be issued at the Issue Price of HK$0.046 per Share, which:

(i) represents a discount of approximately 4.2% to the closing price of HK$0.048 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) represents a discount of approximately 2.1% to the average closing price of HK$0.047 per Share for the last 10 trading days up to and including the Last Trading Day;

(iii) is equal to the average closing price of approximately HK$0.046 per Share for the last 30 trading days up to and including the Last Trading Day;

(iv) represents a premium of approximately 4.5% over the average closing price of approximately HK$0.044 per Share for the last 90 trading days up to and including the Last Trading Day;

(v) represents a premium of approximately 7.0% over the average closing price of approximately HK$0.043 per Share for the last 180 trading days up to and including the Last Trading Day;

(vi) represents a discount of approximately 25.8% to the closing price of HK$0.062 per Share on the Latest Practicable Date; and

(vii) represents a discount of approximately 9.8% to the unaudited consolidated net asset value attributable to equity holders of the Company per Share of approximately HK$0.051, which is calculated based on the Group's unaudited consolidated net asset value of approximately HK$701.8 million as at 30 June 2016 and 13,705,000,000 Shares currently in issue.

When allotted and issued at Completion, the Consideration Shares will represent approximately:

(i) 31.72% of the existing issued share capital of the Company as at the Latest Practicable Date;

(ii) 24.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and

(iii) 19.41% of the issued share capital of the Company as enlarged by the allotments and issues of the Consideration Shares and the Conversion Shares upon the full conversion of the Convertible Note at the initial Conversion Price.

The Consideration Shares are to be issued by the Company under the specific mandate to be sought from the Independent Shareholders at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue.

The Issue Price was determined with reference to, among other things, the prevailing trading price of the Shares in recent months prior to the date of the Acquisition Agreement, the financial performance of the Group, the current market conditions and the fact that the Consideration is at discount to the appraised value of the Property. The Issue Price was in line with the Share price performance in a longer time period instead of the last few trading days before the date of the Acquisition Agreement, which is not unusual and could be found in similar transactions.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Mr. WONG has voluntarily undertaken to lock up the Consideration Shares and the Conversion Shares for six months after the date of Completion.

(D) THE CONVERTIBLE NOTE

A summary of the principal terms of the Convertible Note is set out below.

Principal amount:	HK$200.0 million.
Issuer:	The Company.
Conversion Price:	The initial Conversion Price is HK$0.046 per Conversion Share, which is equal to the Issue Price. Please refer to section (C) headed "The Consideration Shares" in this letter from the Board for the comparison of the initial Conversion Price.
Interest rate:	Nil.
Maturity date:	The fourth anniversary of the issue date of the Convertible Note.
Conversion:	The holder of the Convertible Note shall have the right to convert on or before the maturity date of the Convertible Note the whole or any part(s) of the principal amount of the Convertible Note into Conversion Shares at the Conversion Price.
Adjustments to the Conversion Price:	The initial Conversion Price will be subject to adjustments for share consolidation, share sub-division, capitalisation issues, capital distributions, rights issues, issue of new Shares at a subscription price below 95% of the then prevailing market price of the Shares and issue of convertible securities with conversion prices below 95% of the then prevailing market price of the Shares, issue of new Shares for acquisition of asset at an issue price below 95% of the then prevailing market price of the Shares and issue of convertible securities for acquisition of asset with conversion prices below 95% of the then prevailing market price of the Shares.

Voting:	The holder of the Convertible Note shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holder of the Convertible Note.
Listing:	No application will be made for the listing of, and permission to deal in, any of the Convertible Note on the Stock Exchange or any other stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which shall fall to be allotted and issued upon the exercise of any conversion right attaching to the Convertible Note.
Transferability:	The Convertible Note may be assigned or transferred at any time by the holder of the Convertible Note.
Redemption:	Unless previously converted, purchased or cancelled in accordance with the conditions of the Convertible Note, the Convertible Note will be redeemed by the Company on the maturity date at 100% of its principal amount outstanding.
Security:	The Convertible Note is unsecured.
Default interest:	In the event that the Company commits default of its repayment obligations under the Convertible Note, a default interest at 2% per annum plus the prevailing Hong Kong Dollar best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited will accrue on the relevant amounts overdue until full repayment is actually made.

The maximum number of 4,347,826,086 Conversion Shares upon full conversion of the Convertible Note at the initial Conversion Price represent approximately:

(i) 31.72% of the existing issued share capital of the Company as at the Latest Practicable Date;

(ii) 24.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; and

(iii) 19.41% of the issued share capital of the Company as enlarged by the allotments and issues of the Consideration Shares and the maximum number of the Conversion Shares.

The maximum number of the Conversion Shares to be issued has the aggregate nominal value of approximately HK$43.48 million.

The Conversion Shares are to be issued by the Company under specific mandate to be sought from the Independent Shareholders at the EGM. The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue.

The initial Conversion Price was arrived at after arm's length negotiations between the parties to the Acquisition Agreement after taking into account, among others, the prevailing trading price of the Shares in recent months prior to the date of the Acquisition Agreement, the financial performance of the Group, the current market conditions, the fact that the Consideration is at discount to the appraised value of the Property and the Issue Price.

(E) INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

Information on the Target Company

The Target Company is a property investment company incorporated in Hong Kong with limited liability. The principal asset of the Target Company is the entire interest in the Property.

The Target Company was set up for the purpose of acquisition and holding of the Property. As at 16 December 2016, the aggregate acquisition costs of the Property was approximately HK$315 million, comprising the cost of acquisition of the Property of approximately HK$270 million, the acquisition transaction costs of approximately HK$14 million and the paid or accrued costs for the Property Enhancement Project of approximately HK$31 million. After taking into account the unbilled costs for the Property Enhancement Project of approximately HK$28 million, the total acquisition costs of the Property upon completion of the Property Enhancement Project are expected to increase to approximately HK$343 million.

Financial information of the Target Company

Set out below is the financial information extracted from the financial statements of the Target Company for the two years ended 31 January 2016 and for the period from 1 February 2016 to 16 December 2016:

	For the period from 1 February 2016 to 16 December 2016	**For the year ended 31 January**	
		2016	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Net profit/(loss) before tax	–	(115)	1,013
Net profit/(loss) after tax	–	(96)	780

	As at 16 December 2016
	HK$'000
Net assets attributable to shareholder	342,901

Information on the Property

The Property is located at Nos. 33 and 35 Java Road, Hong Kong. It is situated in the North Point district which is a long-established traditional residential area on Hong Kong Island with predominantly medium and high-rise apartment buildings and composite buildings with retail elements at lower floors. Accessibility to the Property is convenient. Public transportation including MTR, buses, public light buses, trams and taxis are readily available along King's Road and Java Road. The nearest MTR Station is located about 400 metres to the Property.

The Property comprises a 13-storey (including cockloft) residential-cum-retail building completed in 1966. It is currently under the Property Enhancement Project and is expected to be used as serviced apartments and shops on or before the Target Date. It is expected that the Property will commence to generate revenue from the third quarter of 2017. The ground floor will accommodate a lobby with 2 lifts and 2 shops facing Java Road with cocklofts thereabove. 40 serviced apartment units, including a duplex unit, will be provided on the first to eleventh floors. Fixtures, fittings and furniture will be provided within each apartment unit. The saleable floor area of the Property is approximately 18,234 sq. ft. and the total registered site area is approximately 2,450 sq. ft.. It is intended that the day-to-day operations and management of the serviced apartments and the shops in the Property will be conducted by a property management company qualified to manage a property similar to the Property.

The appraised market value of the Property as at 31 December 2016, on the basis of completion of the Property Enhancement Project, was approximately HK$415 million as estimated by Jones Lang LaSalle Limited, an independent property valuer. The valuation report on the Property is set out in appendix VI to this circular.

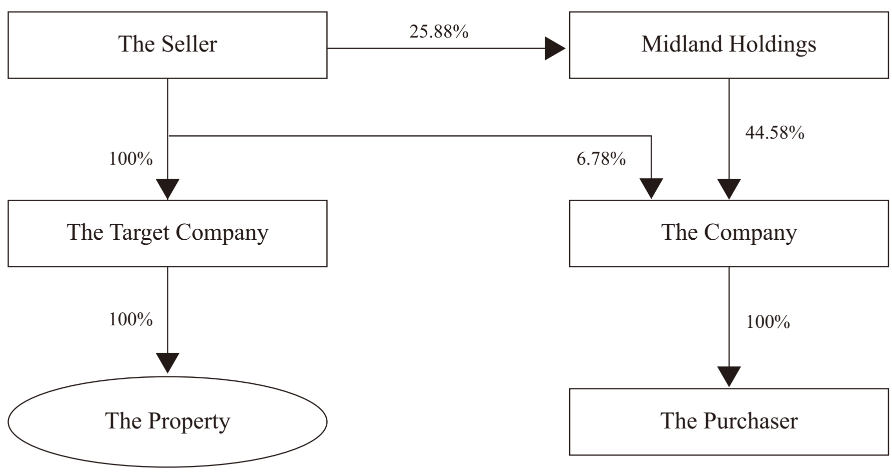
Set out below is the reconciliation of the appraised market value of the Property as at 31 December 2016, as set out in the valuation report on the Property in appendix VI to this circular, and the book value of the Property as at 16 December 2016, as stated in the statement of financial position of the Target Company in appendix II to this circular.

	HK$'000
Book value of the Property as at 16 December 2016	314,943
Addition	3,575
Book value of the Property as at 31 December 2016	318,518
Add: Unbilled construction cost of the Property	24,493
Add: Fair value adjustment	71,989
Appraised market value of the Property as at 31 December 2016	415,000

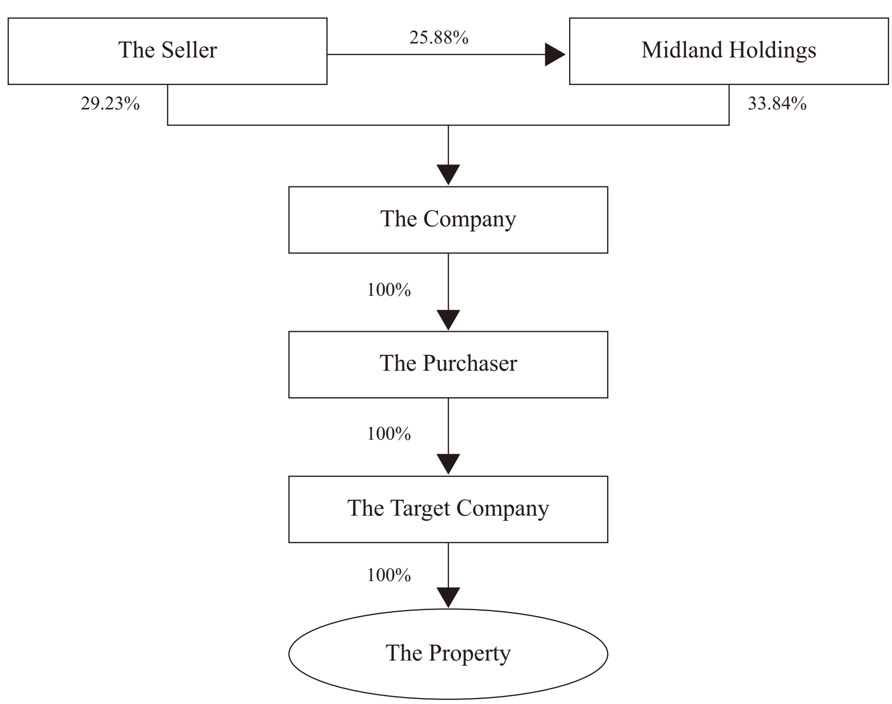
Shareholding structure of the Target Company

Set out below are the simplified shareholding structure charts of the Target Company as at the Latest Practicable Date and immediately after Completion (assuming that there are no changes in the issued share capital of each of the companies other than changes as a result of the transactions contemplated under the Acquisition Agreement):

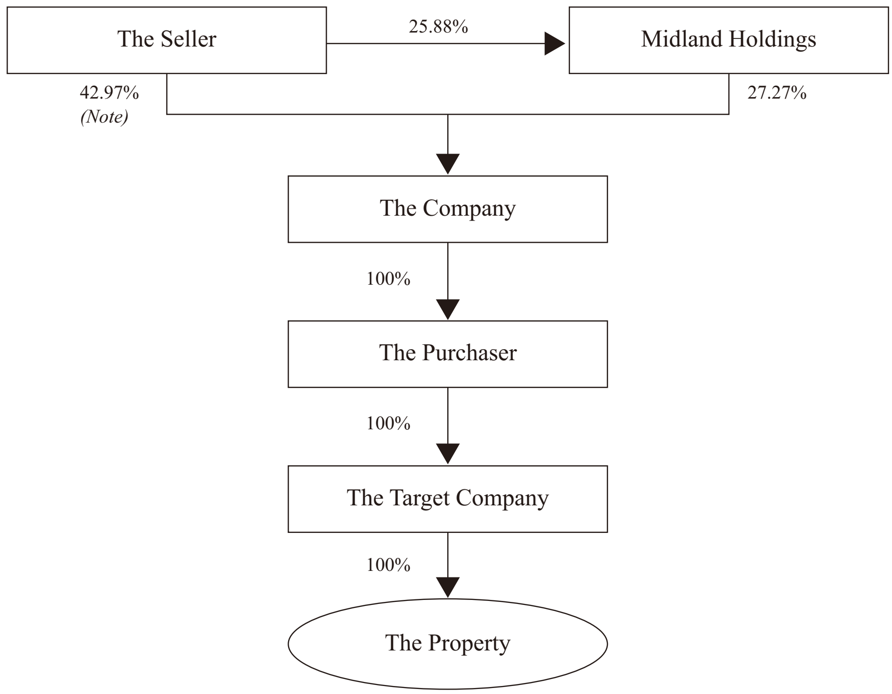
As at the Latest Practicable Date



Immediately upon Completion and before conversion of any of the Convertible Note



Immediately upon Completion and after full conversion of the Convertible Note



Note: The above is for illustration and disclosure purposes only. It does not imply or indicate any intention or decision on the part of the Seller as to the timing or extent of conversion of the Convertible Note. The relevant parties will observe and comply with the requirements of the Listing Rules or the Takeovers Code in connection with the conversion of the Convertible Note if and when it takes place.

(F) REASONS FOR AND BENEFITS OF THE ACQUISITION

Background of the Acquisition

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

The financial performance of the Group has not been satisfactory in recent years. Revenue of the Group, mainly comprising the agency fee income derived from property agency business, has declined in the last four years, down by approximately 42.3% from approximately HK$814.4 million in 2012 to approximately HK$470.1 million in 2015. Profit attributable to the Shareholders has shrunk by approximately 98.6% from approximately HK$175.8 million in 2012 to approximately HK$2.4 million in 2015. The Company also recorded a loss attributable to the Shareholders of approximately HK$9.2 million for the six months ended 30 June 2016. The deterioration in the historical financial performance of the Group was principally due to the adjustment of ad valorem stamp duty made by the Hong Kong Government in non-residential properties in early 2013, which has raised the transaction costs for investors and buyers of the non-residential properties and has cooled off that sector significantly. The unpromising performance of the stock market and the depreciation of Renminbi in 2015 and the first half of 2016 added further pressure to the property market, which, in turn, adversely affected the financial performance of the Group. Furthermore, based on the statistics published by the Land Registry, both the total transaction volume and total transaction value of the non-residential properties in Hong Kong for 2016 (up to November 2016) were lower than that for 2015 by around 20% and 30% respectively. Although the Group's financial performance is expected to improve in the second half of 2016, mainly due to the strengthened market position and better cost efficiency of the Group as announced by the Company on 6 December 2016, and demand of non-residential properties in Hong Kong is expected to have a higher growth (as compared to the residential property market) following the increase of the stamp duty for residential property transactions to a flat rate of 15% in November 2016, the overall business environment of the Group appears to remain challenging due to the aforesaid cool-down policies and the lacklustre local and global economic performance.

After decades of involvement in the Hong Kong property market, the Group has accumulated significant experience in industrial, commercial and shops sectors of the property industry. By leveraging its in-depth knowledge of the local property market, the Group has also participated directly in the market by acquiring and letting out office unit and car parking space for rental income in recent years.

As mentioned above, the Hong Kong Government has adjusted the ad valorem stamp duty in non-residential properties in early 2013, which has resulted in the change of the non-residential market conditions. According to the figures from the Land Registry, the transaction value of non-residential properties amounted to around HK$200 billion in 2012, but it fell by nearly half to about HK$100 billion in 2016. In light of the above market challenges, the Group decided to explore new business opportunities and look for diversifications. Such business strategy has been stated in the Company's interim reports for the six months ended 30 June 2015 and 30 June 2016 (the "**Interim Reports**") with particular focus on opportunities related to or those which may create synergies with the existing principal activities of the Group.

Benefits of the Acquisition

The Board considered that the Acquisition is in line with the Group's stated strategy of exploring new business opportunities above and represents an expansion of the Group's existing business activities. The serviced apartments and the shops in the Property will be let out for rental income. The Acquisition will not only provide an additional and stable rental income to the Group but will also broaden the income source and avoid total reliance on the volatile agency fee income. The rental income may enhance and stablise the Group's profitability when the non-residential property market turns sour. In addition, the Group may also enjoy the possible capital appreciation of the Property.

Market outlook of serviced apartment

The aforesaid increase in stamp duty to a flat rate of 15% in November 2016 applies to sale and purchase of residential properties. The Property will be used as serviced apartments and shops and rental market is unlikely to be adversely affected by it.

Furthermore, the underlying housing demand has been strong and property prices have continued to fare well despite the launch of suppressing measures in recent years. It is also believed that the housing demand may shift from buy-and-sell segment to rental segment if there is increase in mortgage rates. The Company is of the view that there will be potential upside of the residential rental market.

Payment mechanism

The Consideration represents a discount of approximately 3.6% to the independent appraised value of the Property. The settlement of the Consideration by Consideration Shares and Convertible Note has taken into account the following factors: (i) benefits of issuing the Consideration Shares and the Convertible Note as set out below; (ii) the strategic reasons for preserving cash as set out below; and (iii) the potential drawbacks of other financing means.

The issues of the Consideration Shares and the Convertible Note to settle the Consideration would not affect the immediate liquidity position of the Group and would allow the Company to complete the Acquisition without any significant cash outlay. The preserved cash could allow the Group to (i) withstand the potential lacklustre performance of the Group's core agency services business; (ii) provide services to prospective purchasers of property in Hong Kong referred by certain subsidiaries of Midland Holdings by procuring the issuance of a cashier's order after receiving each referral; and (iii) develop property investment and property development businesses in future.

The Group should maintain its cash position, given the uncertainty and challenges in the business environment of the Group to maintain its competitiveness in the property agency industry. In the event of another slowdown in property sales, the Group may have to withstand increased competition amongst property agency companies in Hong Kong. In addition, the implementation of the Group's strategy to explore new business initiatives and diversify its investments may have to be supported by the Group's internal resources. As mentioned above, the preserved cash could be applied towards the development of property investment and property development businesses in the future. The Acquisition does not represent a change in the nature of the Group's core business. As such, it is in the interests of the Company and the Shareholders as a whole that the Group preserves adequate cash to position itself to capture new business opportunities in the future on the one hand, and maintain its core property agency services business on the other. The Group has maintained its cash and bank balance at a certain level and that the management of the Company considered and continues to consider such liquidity necessary for the Group to carry on its core property agency services business competitively as well as implement its strategy as mentioned above. As at 31 December 2014 and 2015, the Group had cash and bank balances of approximately HK$640.2 million and HK$675.3 million, respectively. In addition to the above, to settle the debt portion of the Convertible Note, the Group will have to pay HK$200.0 million in cash to the Seller upon maturity of the Convertible Note, if the Convertible Note has not been converted by then.

While the issues of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Note will result in the dilution in the shareholding of the Independent Shareholders in the Company (the extent of which is set out in the section (G) headed "Shareholding structures of the Company" in this letter from the Board below), such dilution will be compensated by the potential benefits brought by the Acquisition, such as additional and stable income as mentioned above. Furthermore, based on the financial position of the Group on 30 June 2016, the net asset value per Share as a result of the issue of the Consideration Shares will be accretive and will not be materially changed upon the issue of the Conversion Shares.

Mr. WONG will only be able to fully convert the Convertible Note into the Conversion Shares either by way of (a) applying a whitewash waiver pursuant to the Takeovers Code; or (b) making a general offer to the Independent Shareholders (other than those parties acting in concert (as defined under the Takeovers Code) with Mr. WONG). The whitewash waiver will be subject to the approval of, among others, the Independent Shareholders. Therefore the Board considers adequate measures are in place to protect the interests of the Independent Shareholders.

The allotments and issues of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Note to the Seller will lead to better alignment of interests between the Company and the Seller upon Completion and is beneficial to the Company and the Shareholders as a whole. The willingness to accept the Consideration Shares and the Convertible Note (as opposed to pure cash or other form of consideration) also demonstrates the Seller's confidence in the prospects of the Acquisition. The issues of the Consideration Shares and the Conversion Shares also allow the Company to preserve cash for the strategic and operational reasons as set out above.

In addition, the issue of the Convertible Note to settle part of the Consideration has the added benefits to the Company as (i) the issuance of Convertible Note can avoid the immediate dilution to the existing shareholding of the Independent Shareholders; and (ii) the Convertible Note is interest-free. This is preferable than other debt financing alternatives such as bank borrowings, which will inevitably result in additional financing costs to the Company.

The subject of the Acquisition is a property, it is not uncommon that no profit guarantee is provided.

The view of the Board on the Acquisition

The Directors (excluding the members of the Independent Board Committee whose view was set out in the letter from the Independent Board Committee in this circular) are of the view that, though not in the ordinary and usual course of business of the Group, the entering of the Acquisition Agreement is on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the knowledge of the Company, Midland Holdings, being the controlling Shareholder, would not consider the acquisition of the Property as it intends to continue to focus on its principal business of provision of residential property agency services in Hong Kong, China, Macau and overseas and it does not have any present intention to diversify its business.

It is the intention of the Company to continue its existing property agency business upon Completion and the Company has no intention to effect any significant changes to the Company's existing business or downsizing its existing business. Furthermore, the Company has no intention to enter into any agreement, arrangement, understanding or negotiation to dispose of or discontinue its existing business (whether concluded or not).

(G) SHAREHOLDING STRUCTURES OF THE COMPANY

Set out below is the shareholding table of the Company (i) as at the Latest Practicable Date; (ii) immediately upon Completion and before conversion of any of the Convertible Note; and (iii) immediately upon Completion and after full conversion of the Convertible Note.

Shareholders	**(i) As at the Latest Practicable Date**		**(ii) Immediately upon Completion and before conversion of any of the Convertible Note**		**(iii) Immediately upon Completion and after full conversion of the Convertible Note** *(Note)*	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*	*Number of Shares*	*Approx. %*
Midland Holdings	6,109,769,975	44.58%	6,109,769,975	33.84%	6,109,769,975	27.27%
The Directors	23,000,000	0.17%	23,000,000	0.13%	23,000,000	0.10%
Public Shareholders	6,643,079,305	48.47%	6,643,079,305	36.80%	6,643,079,305	29.66%
The Seller	929,150,720	6.78%	5,276,976,806	29.23%	9,624,802,892	42.97%
Total	13,705,000,000	100.00%	18,052,826,086	100.00%	22,400,652,172	100.00%

Note: *The above table is for illustration and disclosure purposes only. It does not indicate or imply any intention or decision on the part of the Seller as to the timing or extent of conversion of the Convertible Note. The relevant parties will observe and comply with the requirements of the Listing Rules or the Takeovers Code in connection with the conversion of the Convertible Note if and when it takes place.*

(H) FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its results will be consolidated into the Group's consolidated financial statements. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the assets and liabilities of the Group (assuming the Acquisition had been completed on 30 June 2016) is set out in appendix IV to this circular. Based on the interim report of the Company for the six months ended 30 June 2016, as at 30 June 2016, the Group had total assets of approximately HK$908.0 million, total liabilities of approximately HK$206.2 million, net current assets of approximately HK$635.0 million and a gearing ratio (calculated by dividing total bank loan by total equity) of approximately 1.1%. Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (assuming the Acquisition had been completed on 30 June 2016) as set out in appendix IV to this circular, the Enlarged Group would have total assets of approximately HK$1,361.0 million, total liabilities of approximately HK$413.7 million, net current assets of approximately HK$629.9 million and a gearing ratio of approximately 18.7% (calculated by dividing the aggregate of bank loan and debt portion of the Convertible Note by total equity) as at 30 June 2016. Based on the aforesaid figures, the net current assets will be decreased by approximately 0.8% while gearing ratio of the Group will increase upon Completion.

In light of the potential future prospects offered by the Acquisition as stated in the section (F) headed "Reasons for and benefits of the Acquisition" above and the rental receivable from the Property is expected to be in line with the market rates, the Directors are of the view that the Acquisition will likely contribute positively to the Enlarged Group. Nevertheless, the actual effect on earnings of the Group will depend on the future financial performance of the Target Company.

(I) LISTING RULES IMPLICATIONS

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

In addition, as the Seller is an associate of Ms. TANG Mei Lai, Metty, a non-executive Director, and Ms. WONG Ching Yi, Angela, an executive Director, the Seller is therefore a connected person of the Company under the Listing Rules, and the Acquisition also constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Ms. TANG Mei Lai and Ms. WONG Ching Yi, Angela abstained from voting on the board resolution approving the Acquisition.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ying Wing Cheung, William, Mr. Sha Pau, Eric, and Mr. Ho Kwan Tat, Ted, in compliance with the Listing Rules, has been established to consider the terms of the Acquisition and advise the Independent Shareholders as to whether the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the EGM for approving the Acquisition, after taking into account the recommendation of the Independent Financial Adviser. In this connection, Altus has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

(J) WARNING

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

(K) EGM

Set out at the end of this circular is a notice convening the EGM at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong on 6 March 2017 at 11:00 a.m.. At the EGM, the Independent Shareholders will be asked to consider and, if thought fit, pass the ordinary resolution as set out in the notice of EGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares and the Convertible Note).

Votes on the resolution will be taken by poll at the EGM. As at the Latest Practicable Date, save for Mr. WONG, who is interested in 929,150,720 Shares or approximately 6.78% of the issued share capital of the Company, no other Shareholder is required to abstain from voting on the resolution at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Midland Holdings, through its wholly-owned subsidiary, is interested in 6,109,769,975 Shares or approximately 44.58% of the issued share capital of the Company as at the Latest Practicable Date, is not required to abstain from voting on the resolution at the EGM to approve the Acquisition for the following reasons:

(a) Midland Holdings is not an associate or close associate of Mr. WONG

As at the Latest Practicable Date, Mr. WONG, directly and indirectly, owns 185,830,144 shares of Midland Holding, representing approximately 25.88% of the issued share capital of Midland Holding. Therefore, Midland Holdings is neither an associate nor a close associate of Mr. WONG by definition of the Listing Rules.

(b) Midland Holdings has no material interest in the Acquisition or other arrangement in relation to the Acquisition

Midland Holdings has no material interest in the Acquisition or other arrangement in relation to the Acquisition on the basis that (i) Midland Holdings has not involved in the negotiation and discussion of the Acquisition; (ii) Midland Holdings is not a party to the Acquisition and has the same interest as the other Independent Shareholders in the Acquisition; (iii) the boards of directors of the Company and Midland Holdings are independent of each other; (iv) the corporate governance practices of Midland Holdings are in place, in which the decision to be made in respect of the Acquisition will only having regard to the interests of Midland Holdings and its shareholders as a whole; and (v) Mr. WONG is not the controlling shareholder of Midland Holdings.

In particular, the Company considers that Midland Holdings has the same interest as other Independent Shareholders in the Acquisition on the following basis:

(i) Midland Holdings would be interested indirectly in the Acquisition as a Shareholder. The benefits arising from the Acquisition are also available to other Independent Shareholders;

(ii) In so far as the issue of new securities of the Company as consideration to settle the price for the Acquisition is concerned, Midland Holdings stands in the same position as any other Independent Shareholders. The dilution in terms of percentage of shareholdings arising from the new issue applies to all existing Shareholders at the same rate uniformly, whether the Shareholder is Midland Holdings or not;

(iii) Midland Holdings had no involvement in so far as the terms of the Acquisition are concerned. The completion of the Acquisition will not be made directly or indirectly conditional or contingent upon other transactions or matters concerning Midland Holdings or its subsidiaries; and

(iv) Midland Holdings has the same interest as the other Shareholders in the Acquisition as well as the issue of the Consideration Shares and the Convertible Note. Midland Holdings and other Independent Shareholders will enjoy the benefits of the Acquisition and suffer from the same degree of dilution in their shareholding in the Company upon completion of the Acquisition.

The Company is also of the view that the boards of directors of the Company and Midland Holdings are independent of each other on the following basis:

(i) At the board level, the board of the directors of Midland Holdings (the "**Midland Holdings Board**") consists of a total of nine members. Two-thirds, totaling six in number, are not related to Mr. WONG and his family members (namely Mr. WONG, Ms. TANG Mei Lai, Metty and Ms. WONG Ching Yi, Angela, the "**Wong Family**"). Three are independent non-executive directors, two are executive directors and one is non-executive director. These other directors do not have any family or any other business relationship with Mr. WONG other than serving on the Midland Holdings Board and in Midland Holdings;

(ii) The board of the directors of the Company consists of a total of eight members. Two members of the Board are from the Wong Family. The remaining three-fourths, totaling six in number, are not related to Mr. WONG and his family members. These other directors do not have any family or any other business relationship with Mr. WONG other than serving on the Board and in the Group;

(iii) Except for Ms. TANG Mei Lai Metty and Ms. WONG Ching Yi, Angela, there is no overlapping board membership of the Board and the Midland Holdings Board; and

(iv) The Wong Family has no majority in the board seats.

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

(L) RECOMMENDATIONS

Your attention is drawn to the letters from the Independent Board Committee to the Independent Shareholders set out on pages 26 to 27 of this circular and the letter from Altus on pages 28 to 55 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition Agreement as well as the principal factors and reasons taken into consideration in arriving at their advice. The Directors (including the members of the Independent Board Committee whose view is also set out in its letter mentioned above) consider that the terms of the Acquisition Agreement are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee whose view is also set out in its letter mentioned above) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares and the Convertible Note). You are advised to read the letter from the Independent Board Committee and the letter from Altus mentioned above before deciding how to vote on such resolution to be proposed at the EGM.

(M) ADDITIONAL INFORMATION

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

Yours faithfully,
for and on behalf of the Board
Midland IC&I Limited
MUI Ngar May, Joel
Company Secretary

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.

美聯工商舖
MIDLAND IC&I

Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 459)

17 February 2017

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE ISSUED SHARES OF
MOST WEALTH (HONG KONG) LIMITED
INVOLVING THE ISSUE OF
CONSIDERATION SHARES AND CONVERTIBLE NOTE**

We refer to the circular of the Company on the even date (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular. We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Acquisition Agreement. Altus has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 28 to 55 of the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

* *For identification purpose only*

Having considered the terms of the Acquisition Agreement, and taking into account the advice of Altus, in particular the principal factors, reasons and recommendation as set out in their letter, we consider that (i) the terms of the Acquisition Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole; and (ii) the Acquisition is on normal commercial terms, despite it is not in the ordinary and usual course of business of the Company. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares and the Convertible Note).

Yours faithfully,
for and on behalf of
the Independent Board Committee

YING Wing Cheung, William **SHA Pau, Eric** **HO Kwan Tat, Ted**

Independent non-executive Directors

The following is the text of a letter of advice from Altus, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders in respect of the major and connected transaction in relation to the Acquisition, which has been prepared for the purpose of incorporation in the Circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

17 February 2017

To the Independent Board Committee and
the Independent Shareholders

Midland IC&I Limited
Rooms 2505-8, 25th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARES OF
MOST WEALTH (HONG KONG) LIMITED
INVOLVING THE ISSUE OF
CONSIDERATION SHARES AND CONVERTIBLE NOTE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition as contemplated under the Acquisition Agreement. Details of the Acquisition are set out in the "Letter from the Board" contained in the circular of the Company dated 17 February 2017 (the "**Circular**"), of which this letter forms part of. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Acquisition

On 10 January 2017 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company; the Company, as guarantor of the Purchaser; and the Seller entered into the Acquisition Agreement, whereby the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell the entire issued shares of the Target Company, of which the principal asset is the Property, for a total consideration of HK$400.0 million (subject to the Cash Adjustment).

The Consideration shall be settled at Completion by a combination of (a) the allotments and issues of the Consideration Shares in the amount of HK$200.0 million; and (b) the issue of the Convertible Note in the amount of HK$200.0 million.

The Cash Adjustment will be paid in cash and settled on a dollar-for-dollar basis by: (i) the Purchaser to the Seller if the net amount of the Other Assets and Liabilities of the Target Company is positive at Completion; or (ii) the Seller to the Purchaser if the net amount of the Other Assets and Liabilities of the Target Company is negative at Completion. The Cash Adjustment, if payable by the Purchaser, will not exceed HK$20.0 million in any event.

LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 25.0%, but all of them are less than 100.0%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Seller is an associate of Ms. TANG Mei Lai, Metty, a non-executive Director, and Ms. WONG Ching Yi, Angela, an executive Director of the Company. The Seller is therefore a connected person of the Company under the Listing Rules. As such, the Acquisition also constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric, and Mr. HO Kwan Tat, Ted, has been established to consider the terms of the Acquisition and to give advice to the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and on normal commercial terms and in the ordinary and usual course of business of the Company, and to give its recommendation as to the voting in respect of the resolution to be proposed at the EGM for approving the Acquisition, after taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable and in the interests of the Company and its shareholders as a whole; and (ii) whether the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Company; and advising the Independent Shareholders as to how to vote in respect of the resolution to be proposed at the EGM for the approval of the Acquisition.

We have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Acquisition contemplated thereunder is at a market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the dispatch of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, at the time they were made or will be untrue, inaccurate or misleading as at the date of the dispatch of the Circular, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

In relying on the valuation report (the "**Valuation Report**") as set out in Appendix VI to the Circular, we have considered the fairness, reasonableness and completeness of the assumptions made by Jones Lang LaSalle Limited (the "**Valuer**") in the Valuation Report. Regarding the opinion or valuation of the Valuer in relation to the Property, we have interviewed the Valuer as to its expertise and any current or prior relationships with the Company or any of their respective subsidiaries or associates; reviewed the terms of engagement and scope of work of the Valuer, in particular, as to whether it is subject to any limitations that might undermine the level of assurance given with respect to the Valuation Report; and discussed with the Valuer its work done in preparation of the Valuation Report.

We have also reviewed the credentials provided by the Valuer and publicly available information on the Valuer's experience in performing property valuations for companies listed on the Stock Exchange.

Based on our discussions with the Valuer, together with our assessment of its profile and experience in performing property valuation services, we are not aware of any matters that would cause us to doubt the Valuer's independence and expertise in relation to the engagement, and with particular attention to its scope of work, we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

1. Background information of the Group

1.1 Principal business of the Group

According to the Company's annual report for the year ended 31 December 2015 (the "**2015 Annual Report**") and the Company's interim report for the six months ended 30 June 2016 (the "**2016 Interim Report**"), the Group is mainly engaged in the property agency business for commercial and industrial properties and shops in Hong Kong. The Group also leases out office unit in Hong Kong with the aim of generating secure and steady income.

With reference to the 2016 Interim Report, the Group pursues a strategy of (i) proactive exploration of new business initiatives, focusing in particular on opportunities related to, or that may, produce synergy with its main business activities; and (ii) diversified investment with the objectives of creating value for the Group and enhancing shareholders' return. In this regard, we understand from the Management that the Group leverages on its experience in the property industry in respect of its investments in property in Hong Kong.

Having considered the Group's experience in the property industry and participation in the property market of Hong Kong, and its strategy to explore new business initiatives as well as diversify its investments, together with the particulars of the Property and the Group's intention in respect of the Property as set out herein, we consider that the Acquisition, whilst not within the ordinary and usual course of business for the Group, is in line with the Group's strategy and represents an expansion of the Group's existing property investment activities.

1.2 Financial information of the Group

Set out below are the operating results of the Group for the year ended 31 December 2014 and 2015 and for the six months ended 30 June 2015 and 2016, as extracted from the 2015 Annual Report and the 2016 Interim Report, respectively.

	For the year ended 31 December		**For the six months ended 30 June**	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	547,678	470,143	288,391	231,041
Operating (loss)/profit	43,181	4,283	14,183	(9,609)
(Loss)/profit and total comprehensive (loss)/income attributable to equity holders of the Company	39,661	2,371	12,647	(9,171)

	As at 31 December		**As at 30 June**	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Cash and bank balances	640,214	675,291	636,808	626,790
Investment properties	59,550	60,200	62,400	59,500
Total assets	951,809	892,670	960,393	907,997
Net asset value	706,994	710,801	720,249	701,841

Source: 2015 Annual Report and 2016 Interim Report

For the year ended 31 December 2015

Revenue for the year ended 31 December 2015 was approximately HK$470.1 million, representing a decrease of approximately 14.2% from approximately HK$547.7 million for the year ended 31 December 2014, continuing the downward trend that began in the preceding financial year. In addition, the impairment of receivables rose significantly, as a transaction with consideration greater than HK$1.0 billion fell through, which had a negative impact on the Group's operating costs and figures for the year ended 31 December 2015.

Profit attributable to equity holders of the Company for the year ended 31 December 2015 was approximately HK$2.4 million, representing a decrease of approximately 94.0% from the previous year. This decrease was mainly attributable to the downturn of the non-residential property market in the second half of 2015, which was adversely affected by weak investor sentiment, challenges to the retail industry and depreciation of the Renminbi.

Cash and bank balances of the Group as at 31 December 2015 amounted to approximately HK$675.3 million, which represented a slight increase of approximately 5.5% as compared to approximately HK$640.2 million as at 31 December 2014, and represented approximately 75.6% of the total assets of the Group as at the same date. Investment properties held by the Group was approximately HK$59.6 million as at 31 December 2014 and approximately HK$60.2 million as at 31 December 2015, representing an increase of approximately 1.1%.

The net asset value of the Group as at 31 December 2015 amounted to approximately HK$710.8 million, which represented a slight increase of approximately 0.5% as compared to approximately HK$707.0 million as at 31 December 2014.

For the six months ended 30 June 2016

The Group recorded a consolidated net loss of approximately HK$9.2 million for the six months ended 30 June 2016, compared to consolidated net profit of approximately HK$12.6 million for the six months ended 30 June 2015. Revenue of the Group for the same periods fell 19.9% from approximately HK$288.4 million to approximately HK$231.0 million, mainly due to the slower non-residential property market.

The Group's cash and bank balances remained stable; it recorded approximately HK$626.8 million as at 30 June 2016, representing a slight decrease of approximately 7.2% as compared to HK$675.3 million as at 31 December 2015, and as at 30 June 2016 accounted for approximately 69.0% of the total assets of the Group. Investment properties held by the Group amounted to approximately HK$59.5 million as at 30 June 2016, representing a decrease of approximately 1.2% from approximately HK$60.2 million as at 31 December 2015.

The net asset value of the Group remained stable; it amounted to approximately HK$701.8 million as at 30 June 2016, which represented a slight decrease of approximately 1.3% from approximately HK$710.8 million as at 31 December 2015.

1.3 Outlook of the Group

As stated in the positive profit alert of the Company dated 6 December 2016, the Group anticipates that the consolidated net profit for the year ending 31 December 2016 will increase as compared to the consolidated net profit of approximately HK$2 million for the year ended 31 December 2015, which the Management attributes to the strengthened market position and better cost efficiency of the Group. However, according to statistics published by the Land Registry, the total transaction volume and total transaction value of non-residential properties in Hong Kong for 2016 (up to November 2016) were lower as compared to the preceding year. Hence, the Group's future performance will continue to be susceptible to the economy of Hong Kong.

Further, the Management is of the view that investment demand for prime office space in Hong Kong will remain strong for quite some time, and that demand for retail space will grow slightly. In this regard, we have considered the provisional rental indices and price indices for private office space published by the Rating and Valuation Department of Hong Kong for July to November 2016. The rental indices increased from 232.2 in July 2016 to 233.0 in November 2016, and the price indices increased from 415.7 to 426.4, which indicate continuing demand. We have also considered retail sales data published by the Census and Statistics Department of Hong Kong; Hong Kong's retail sales increased from approximately HK$33.7 billion in June 2016 to approximately HK$36.0 billion in November 2016, which supports the Management's view on the retail property sector.

However, we note that the Group's financial performance has been susceptible to various economic trends as set out in the paragraph headed "Financial information of the Group" above. Notwithstanding the abovementioned positive indicators, the Management takes the view that the Group's property agency business may be unexpectedly and adversely affected by macro-economic trends. We understand from the 2016 Interim Report that given such exposure, the Group seeks to explore new business initiatives and diversify its investment strategies, as elaborated in the paragraph headed "Principal business of the Group".

2. Background information of the Target Company

2.1 Background information of the Target Company

The Target Company is a property investment company incorporated in Hong Kong with limited liability. The Target Company was set up for the purpose of acquisition and holding of the Property, and its principal asset is the Property.

2.2 Information on the Property

The registered owner of the Property is the Target Company. With reference to the Valuation Report, the Property comprises a 13-storey (including cockloft) composite building located at Nos. 33 & 35 Java Road, North Point, Hong Kong, and is currently under the Property Enhancement Project, being the renovation and refurbishment of the Property, to become a serviced apartment block comprising 40 serviced apartment units and two shops with aggregate saleable floor area of approximately 18,234 sq. ft. As stated in the Valuation Report, the estimated gross development value of the Property as at 31 December 2016 was HK$415.0 million.

2.3 Financial information of the Target Company

Set out below is the financial information extracted from the audited financial statements of the Target Company for the two years ended 31 January 2016 and for the period from 1 February 2016 to 16 December 2016:

	For the period from 1 February 2016 to 16 December 2016	**For the year ended 31 January**	
	2016	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Profit/(loss) before tax	–	(115)	1,013
Profit/(loss) and total comprehensive income/(loss) for the period/year attributable to owner of the Target Company	–	(96)	780

	As at 16 December 2016
	HK$'000
Net assets attributable to owner of the Target Company	342,901

We understand from the Management that the Target Company's net profit and loss for the years ended 31 January 2015 and 31 January 2016, respectively, were mainly derived from leasing out of residential units in the Property and related operating expenses. We further understand that the Target Company ceased such leasing activities, and accordingly, no profit/(loss) was recorded for the period from 1 February 2016 to 16 December 2016.

We further understand from the Management that the Property is intended to be operated as serviced apartments and shops by a property management company. As such, we consider that the historical financial results of the Target Company set out in the table above are irrelevant to our assessment of the Acquisition.

3. Valuation of the Property

3.1 Valuation methodology

In assessing the fairness and reasonableness of the valuation methodologies adopted by the Valuer, we have reviewed the Valuation Report and discussed with the Valuer (i) the methodologies and assumptions used in performing the valuation; and (ii) whether the methodologies are appropriate for valuation of the Property. Details of the valuation of the Property are set out in the Valuation Report in Appendix VI to the Circular. We note that the valuation methodologies used in respect of the Property are (i) the income capitalisation approach; and (ii) the direct comparison approach.

We are advised by the Valuer that the direct comparison approach was applied in addition to the aforementioned income capitalisation approach. We are further advised by the Valuer, and having reviewed data obtained from the Land Registry, we concur, that there were several market transactions involving properties of a nature and locale similar to the Property from 2014 to the date of the valuation of the Property. As such, the Valuer also applied the direct comparison approach with reference to the transacted unit rate of residential properties in locales similar to the Property. In this regard, we note that the average transacted unit rate of these comparables is similar to the unit rate adopted for that part of the Property comprising serviced apartment units. The Valuer believes, and taking into account the intended use of the Property as serviced apartments and shops, we concur, that the use of both the direct comparison approach and income capitalisation approach is suitable for valuation of the Property. Moreover, we are advised by the Valuer that the appraised value from the direct comparison approach and from the income capitalisation approach are within 2.0% of each other.

With regard to the income capitalisation approach, we have reviewed the rental value of comparable premises to which the Valuer had referred. We are also satisfied that the capitalisation rates adopted are fair and reasonable and in line with that of comparable properties.

The direct comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the marketplace can be extrapolated to similar properties, subject to allowances for variable factors. We have reviewed the selection of relevant market transactions by the Valuer and have been satisfied that it was made to arrive at a fair comparison of capital value.

We are advised by the Valuer that the valuation of the Property was carried out in compliance with the RICS Valuation – Professional Standards; HKIS Valuation Standards and International Valuation Standards.

Taking into account the above and our discussions with the Valuer, we consider the valuation methodologies are fair and reasonable, and appropriate with respect to the Property.

3.2 Valuation assumptions

The valuation of that part of the Property comprising serviced apartment units was based on underlying assumptions, including: (i) a capitalisation rate based on gross yields of hotels and serviced apartments in locations comparable to that of the Property in Hong Kong; and (ii) the average rental rate per serviced apartment unit based on en-bloc rental rates to hotel and serviced apartment operators achievable in Hong Kong.

The valuation of that part of the Property comprising shop units was based on underlying assumptions, including: (i) the capitalisation rate based on gross yields of retail units in the vicinity of the Property; and (ii) the rental rates of shops achievable in the vicinity of the Property.

We note that the Valuer has valued the Property as a single property interest and has ignored the potential effect of selling the Property on a strata title basis. As the Target Company holds the entire interest in the Property, we consider the assumption to be fair and reasonable.

From our discussions with the Valuer, we understand that such assumptions are generally adopted in similar valuation activities and are necessary for the Valuer to arrive at a reasonable estimated value of the Property.

In view of the above, we are satisfied that the abovementioned valuation assumptions are fair, reasonable and complete in relation to the Valuation Report.

3.3 Valuer's competence

We have reviewed the qualifications and working experiences of Ms. Dorothy Y.Y. Chow, a regional director of the Valuer who has over 18 years' experience specialising in valuation, land matters, and property development, who is responsible for signing of the Valuation Report. According to the Valuer, she has extensive experience in handling valuation matters including portfolio asset valuation, valuation for litigation, as well as valuation for rent review, among other aspects. She has also provided consultancy services for corporate and government authorities, broadening her previous experience with Hong Kong's Lands Department. Furthermore, we note from publicly available documents that the Valuer has substantial experience in providing valuation services to listed companies. Hence, we are satisfied that the Valuer has sufficient experience and competency to perform the valuations.

As set out above, we are satisfied that (i) the Valuer is independent from the Company and has sufficient experience and competency to perform the valuation; (ii) the Valuer's scope of work is appropriate for the relevant engagement; and (iii) the valuation assumptions and methodologies used by the Valuer are fair, reasonable and complete in relation to the Valuation Report. Based on the above, we are of the view that the valuation of the Property by the Valuer is fair and reasonable.

4. Reasons and benefits for the Acquisition

The Property is located in an area which is well served by public transport with buses and taxis running, and the North Point MTR station is within a short walking distance of the Property.

We understand from the Management that upon completion of the Property Enhancement Project, the Property will be leased out for rental income. The Property is currently under the Property Enhancement Project and is expected to be used as serviced apartments and shops on or before the Target Date. We further understand from the Management that it is intended that the day-to-day operations and management of the Property will be conducted by a property management company that is qualified to manage a property similar to the Property. As at the Latest Practicable Date, none of the terms have been fixed with any property management company. However, we understand from the Management that any fees payable to the property management company will be negotiated on arm's length basis and on terms comparable to market practice.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the Group. The Acquisition and intended leasing operations in respect of the Property will broaden the revenue base of the Group and provide the Group with an additional, relatively stable and recurring source of rental income amidst such uncertainty and challenges in the business environment of the Group as set out in the paragraph headed "Outlook of the Group" above, allowing it to reduce reliance on its relatively volatile property agency fee income. The Group may also enjoy possible capital appreciation of the Property.

Taking into account the abovementioned reasons, we are of the view that, though the Acquisition is not in the ordinary and usual course of business of the Group, the entering into of the Acquisition Agreement by the Company is justifiable and in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Acquisition

To assess the fairness and reasonableness of the Acquisition, we have reviewed the Acquisition and considered, among others, the following terms of the Acquisition.

5.1 Conditions precedent and undertakings of the Seller

Please refer to the sub-section of the "Letter from the Board" of the Circular headed "Conditions precedent" for details of the conditions precedent under the Acquisition Agreement. We note that the conditions precedent set out therein are normal commercial terms and find them to be fair and reasonable. In particular, we note that (i) the conditions precedent include, but are not limited to, the Purchaser having been satisfied with the due diligence review on the Target Company and its assets, including that the solicitors of the Purchaser having approved the title of the Target Company to the Property; and (ii) the mortgage registered against the Property having been discharged.

We note the undertakings of the Seller, in particular, to bear all costs arising from the Property Enhancement Project, including any final costs exceeding the estimated costs as at Completion, and further, to deliver the Property to the Purchaser in accordance with the main contract with the contractor in respect of the Property Enhancement Project. For the avoidance of doubt, there is no cap on the amount payable by the Seller to the Purchaser.

If estimated costs as at Completion exceed the final costs of the Property Enhancement Project, the Company shall pay the difference. In this regard, we note that the difference payable by the Company will not exceed HK$20.0 million in any event, and as the capping of the difference limits the exposure of the Purchaser, we consider that the relevant term is in the interests of the Company and the Shareholders as a whole.

We note that the use of the Property as serviced apartments and shops after completion of the Property Enhancement Project will not be in contravention of any applicable regulatory requirements, the relevant government leases and the occupation permits of the Property or other relevant documents of or relating to the Property.

In this regard, we consider that the aforementioned conditions precedent and the Seller's undertakings effectively provide for delivery of the Property fit for leasing operations as serviced apartments and shops, completed according to the approved additions and alterations plans, with all costs paid and settled, and in the interests of the Company and the Shareholders as a whole.

We understand from the Management that the Company does not have any intention to waive any of those conditions precedent and will only exercise its discretion in this regard when such waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole and would not have any material adverse impact on the substance of the Acquisition.

5.2 Consideration

We understand from the Management that the Consideration in the amount of HK$400.0 million was agreed after arm's length negotiations between the Purchaser and the Seller, having taken into account, among others, the (i) prevailing market conditions; (ii) the undertaking by the Seller to procure completion of the Property Enhancement Project; and (iii) the preliminary estimated market value of the Property upon completion of the Property Enhancement Project. Taking into consideration the estimated gross development value of the Property as at 31 December 2016 was HK$415.0 million as stated in the Valuation Report, which assumes inter alia that the Property has been renovated to a serviced apartment block, we consider that the valuation of the Property is fair and reasonable as elaborated in the paragraph headed "Valuation of the Property" above, and that the Consideration and basis thereof are fair and reasonable.

The Consideration is subject to the Cash Adjustment equivalent to the net amount of the Other Assets and Liabilities of the Target Company at Completion, being those assets of the Target Company other than the Property and all fixtures, fittings, equipment and other items and system added or installed in the Property minus the liabilities of the Target Company and the prospective costs of the Property Enhancement Project to the extent not recorded in the accounts of the Target Company as at Completion, and will be paid in cash on a dollar-for-dollar basis, where the Other Assets and Liabilities is negative, by the Seller, or where the Other Assets and Liabilities is positive, up to HK$20.0 million, by the Purchaser. For the avoidance of doubt, there is no cap on the amount payable by the Seller to the Purchaser. In this regard, we note that the difference payable by the Purchaser will not exceed HK$20.0 million in any event and as the capping of the difference limits the exposure of the Purchaser, we consider the relevant term to be in the interests of the Company and the Shareholders as a whole.

5.3 Settlement

It will be settled at Completion by a combination of (i) the allotments and issues of the Consideration Shares in the amount of HK$200.0 million; and (ii) the issue of the Convertible Note in the amount of HK$200.0 million. At Completion, 4,347,826,086 Consideration Shares will be allotted and issued at the Issue Price of HK$0.046 per Consideration Share by the Company to the Seller. A summary of the principal terms of the Convertible Note is set out in the "Letter from the Board" of the Circular.

The Management takes the view that the allotments and issues of the Consideration Shares and the Conversion Shares upon full conversion of the Convertible Note to the Seller will lead to better alignment of interests between the Company and the Seller upon Completion and are beneficial to the Company and the Shareholders as a whole.

The issue of the Consideration Shares and the Convertible Note to settle the Consideration would not affect the immediate liquidity position of the Group and would allow the Company to complete the Acquisition without any significant cash outlay. We note that if the Group settles the Consideration entirely by cash, over half of the cash and bank balances of the Group (as at 30 June 2016) would be used.

We understand from the Management that the preserved cash could be applied towards the following purposes: (i) to withstand the potential lacklustre performance of the Group's core property agency services business; (ii) to provide services to prospective purchasers of property in Hong Kong referred by certain subsidiaries of Midland Holdings by procuring the issuance of a cashier's order after receiving each referral; and (iii) to develop property investment and property development businesses in the future.

The Management takes the view that the Group should maintain its cash position, given the uncertainty and challenges in the business environment of the Group (as set out in the paragraph headed "Outlook of the Group" above), to maintain its competitiveness in the property agency industry. In the event of another slowdown in property sales, the Group may have to withstand increased competition amongst property agency companies in Hong Kong.

In addition, the implementation of the Group's strategy to explore new business initiatives and diversify its investments may have to be supported by the Group's internal resources. As mentioned above, the preserved cash could be applied towards the development of property investment and property development businesses in the future.

We have considered that the Acquisition does not represent a change in the nature of the Group's core business. As such, it is in the interests of the Company and the Shareholders as a whole that the Group preserves adequate cash to position itself to capture new business opportunities in the future on the one hand, and maintain its core property agency services business on the other. In this regard, we note from the annual reports of the Company for the past two years that the Group had maintained its cash and bank balance at a certain level and that the Management considered and continues to consider such liquidity necessary for the Group to carry on its core property agency services business competitively as well as implement its strategy as mentioned above. As at 31 December 2014 and 2015, the Group had cash and bank balances of approximately HK$640.2 million and HK$675.3 million, respectively.

In addition to the above, to settle the debt portion of the Convertible Note, the Group will have to pay approximately HK$200.0 million in cash to the Seller upon maturity of the Convertible Note.

The issue of the Convertible Note to settle part of the Consideration has the added benefits to the Company as well as its Shareholders as (i) the issuance of Convertible Note avoids the immediate dilution to the existing shareholding of the Shareholders; and (ii) the Convertible Note is interest-free.

Having considered the advantages of the settlement method and arrangement, in particular, that the issue of the Consideration Shares and the Convertible Note to settle the Consideration would have no effect on the immediate liquidity position of the Group, against such uncertainty and challenges in the business environment of the Group as set out in the paragraph headed "Outlook of the Group" above, we are of the view that the settlement method and arrangement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5.3.1 Consideration Shares

Evaluation of the Issue Price

Regarding the Consideration Shares, the Company will issue 4,347,826,086 Consideration Shares at the Issue Price of HK$0.046 per Share as part of the Consideration under the Acquisition Agreement. The Consideration Shares are to be issued by the Company under the specific mandate to be sought from the Independent Shareholders at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares then in issue.

The Consideration Shares will be issued at the Issue Price of HK$0.046 per Share, which:

(i) represents a discount of approximately 4.2% to the closing price of HK$0.048 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) represents a discount of approximately 2.1% to the average closing price of approximately HK$0.047 per Share for the last 10 trading days up to and including the Last Trading Day;

(iii) is equal to the average closing price of approximately HK$0.046 per Share for the last 30 trading days up to and including the Last Trading Day;

(iv) represents a premium of approximately 4.5% over the average closing price of approximately HK$0.044 per Share for the last 90 trading days up to and including the Last Trading Day;

(v) represents a premium of approximately 7.0% over the average closing price of approximately HK$0.043 per Share for the last 180 trading days up to and including the Last Trading Day;

(vi) represents a discount of approximately 25.8% to the closing price of HK$0.062 per Share on the Latest Practicable Date; and

(vii) represents a discount of approximately 9.8% to the unaudited consolidated net asset value attributable to equity holders of the Company per Share of approximately HK$0.051, calculated based on the Group's unaudited consolidated net asset value of approximately HK$701.8 million as at 30 June 2016 and 13,705,000,000 Shares currently in issue.

In addition, we note that (i) cash and bank balances of the Group accounted for approximately 75.6% and 69.0% of the Group's total assets as at 31 December 2015 and 30 June 2016, respectively; (ii) investment properties of the Group accounted for approximately 6.7% and 6.6% of the Group's total assets as at 31 December 2015 and 30 June 2016, respectively; (iii) the Management currently has no intention to dispose the investment properties and, in the event of disposal, whether the Group would be able to realise them at a value equivalent to or higher than that recorded as at 30 June 2016 is not known; and (iv) the Issue Price of HK$0.046 per Share, which is HK$0.0003 higher than the cash and bank balances value per Share of approximately HK$0.0457 as at 30 June 2016, represents a substantial portion of the net asset value of the Group. Taking into account the above, notwithstanding that the Issue Price represents a discount of approximately 9.8% to the unaudited consolidated net asset value attributable to equity holders of the Company per Share as at 30 June 2016, we consider the Issue Price to be fair and reasonable.

When allotted and issued at Completion, the Consideration Shares will represent approximately:

(i) 31.7% of the existing issued share capital of the Company as at the Latest Practicable Date;

(ii) 24.1% of the issued share capital of the Company as enlarged by the allotments and issues of the Consideration Shares; and

(iii) 19.4% of the issued share capital of the Company as enlarged by the allotments and issues of the Consideration Shares and the Conversion Shares upon the full conversion of the Convertible Note at the initial Conversion Price.

Historical trading volume

Set out in the table below are the monthly trading volumes of the Shares and the percentages of such monthly trading volumes to the issued share capital of the Company during the period from 1 December 2015 up to and including 31 December 2016.

	Monthly trading volume of the Shares *(Note 1)* *('000)*	% of issued share capital of the Company *(Note 2)*	% of public float of the Company *(Note 3)*
2015			
December	257,240	1.9%	6.4%
2016			
January	180,960	1.3%	4.5%
February	139,430	1.0%	3.5%
March	137,140	1.0%	3.4%
April	244,510	1.8%	6.1%
May	145,050	1.1%	3.6%
June	77,280	0.6%	1.9%
July	120,180	0.9%	3.0%
August	192,849	1.4%	4.8%
September	118,700	0.9%	3.0%
October	195,250	1.4%	4.9%
November	300,080	2.2%	7.5%
December	733,420	5.4%	18.3%

Notes:

1. *Source: HKEx website*

2. *The calculation is based on the total monthly trading volume of the Shares divided by the total issued share capital of the Company as at the Last Trading Day.*

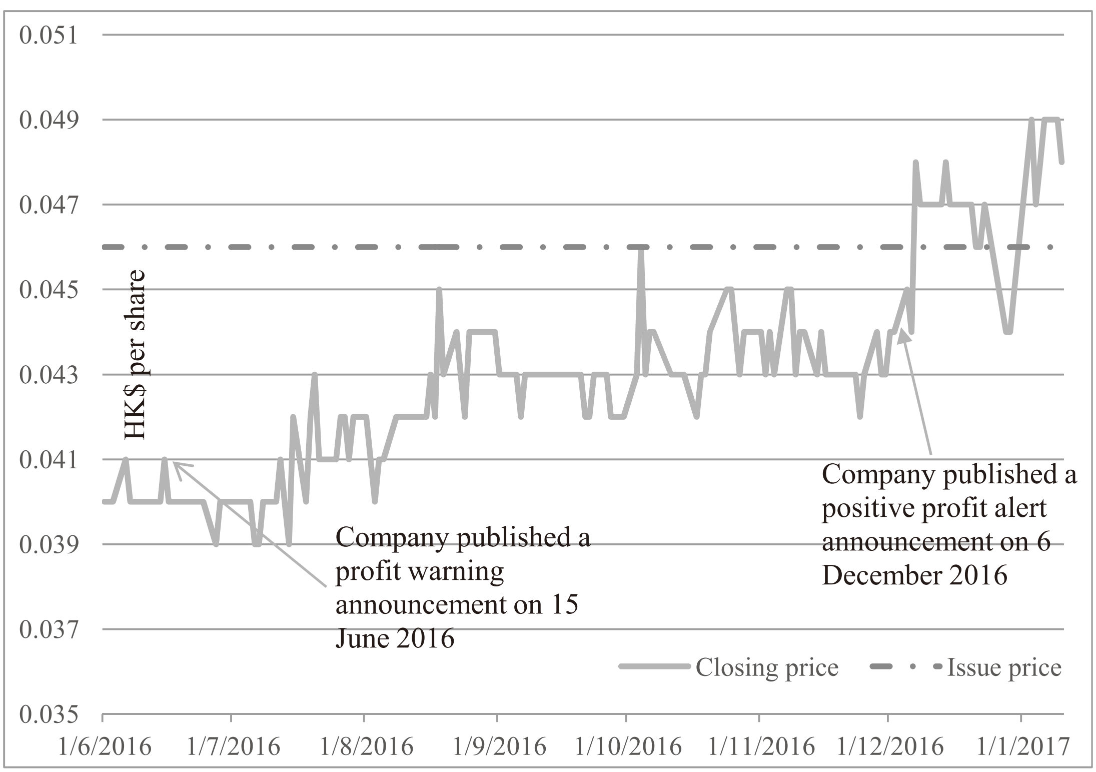
3. *The calculation is based on the monthly trading volume of Shares as a percentage of the issued share capital of the Company as at the Last Trading Day, divided by the total percentage of Shares held by public Shareholders prior to the distribution of Shares completed on 23 December 2016 (as announced by Midland Holdings on the same date) of approximately 29.2%. Immediately after completion of that distribution, the total percentage of Shares held by public Shareholders increased to approximately 48.5%.*

As illustrated in the table above, during the period from 1 December 2015 up to and including 31 December 2016, the monthly trading volume of the Shares ranged between approximately 77.3 million and 733.4 million Shares, with an average of approximately 218.6 million Shares. In addition, the percentage of public Shares traded during the period from 1 December 2015 up to and including 31 December 2016 ranged from approximately 1.9% to approximately 18.3%, with an average of approximately 5.5%; there was heavy trading by public Shareholders during December 2016. We note that from September 2016 to December 2016, the percentage of Shares traded by public Shareholders increased from approximately 3.0% in September 2016 to approximately 18.3% in December 2016. In view of the historical trading volume of the Shares, we consider the historical Share prices to be a fair and reasonable reference for the Issue Price.

Historical Share prices

We have reviewed the Share price performance from 1 June 2016 up to and including the Last Trading Day (the "**Review Period**"). In view of the historical trading volume of the Shares as elaborated in the paragraph headed "Historical trading volume" above, and the absence of any corporate actions that we consider to have materially affected the Share price performance during the Review Period, we consider the Share price performance to be a fair and reasonable reference for the market price of the Shares. The chart below illustrates the daily closing price per Share for the Review Period.

Share price chart of the Company



Source: HKEx website

During the Review Period, the closing Share price fluctuated between HK$0.039 per Share and HK$0.049 per Share, with an average Share price of approximately HK$0.043 per Share.

During the month of June 2016, the closing Share price mainly stayed at HK$0.040 per Share, with slight upward and downward fluctuations throughout the month. The Company issued a profit warning on 15 June 2016, disclosing that the Group had recorded a consolidated net loss of approximately HK$9.0 million for the five months ended 31 May 2016. On the next trading day, the closing Share price dipped slightly.

On 6 December 2016, the Company issued a positive profit alert stating that the Group had recorded a consolidated net profit of approximately HK$15.0 million for the eleven months ended 30 November 2016 and that the Group anticipated that the consolidated net profit for the year ending 31 December 2016 would be higher than that of approximately HK$2 million for the year ended 31 December 2015. Possibly due to the publication of this announcement, the closing Share price of the Company increased to HK$0.048 per Share the next trading day from HK$0.044 per Share after the date of the relevant announcement.

Having considered that (i) the Issue Price falls within the range of historical closing Share prices of approximately HK$0.039 and HK$0.049 during the Review Period; (ii) the Issue Price represents a premium of approximately 7.0% over the average closing price of the Shares of approximately HK$0.043 for the last 180 trading days up to and including the Last Trading Day; and (iii) the historical closing prices of the Shares during the Review Period trended upwards, as shown in the chart above, we are of the view that the issuance of the Consideration Shares at the Issue Price is fair and reasonable to the Independent Shareholders.

In this connection, we have also considered other commonly adopted comparison approaches. We consider (i) the Share price performance to be a more appropriate indicator of reasonableness and fairness of the Issue Price than the price-to-earnings ratio approach, given the consolidated net loss of the Group for the six months ended 30 June 2016 as set out in the paragraph headed "Financial information of the Group"; and (ii) the net asset value per Share approach, given the composition of the Group's assets as elaborated above in our evaluation of the Issue Price.

Comparable issues

In considering whether the Issue Price is acceptable, we have conducted a comparable analysis through identifying companies listed on the Main Board and GEM of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring) from 10 January 2016 (being the date twelve months prior to the Acquisition Agreement) up to and including the Last Trading Day which announced an issuance of consideration shares that did not trigger a mandatory general offer or require a whitewash waiver. On such basis, we have identified 20 comparable companies (the "**Shares Comparables**"), which we consider an exhaustive list of relevant comparable companies based on the abovementioned criteria.

It should be noted that all the companies involved in the Shares Comparables may have different principal activities, market capitalisation, profitability, and financial position as compared with those of the Company. Circumstances leading the Shares Comparables companies to issue consideration shares may differ from that of the Company. The analysis is meant to be used as a general reference to similar types of transactions in Hong Kong, and we consider them to be one of the appropriate basis to assess the fairness and reasonableness of the Issue Price.

			Premium/(discount) of the issue price over/(to) the closing price		
Date of announcement	**Listed issuer (stock code)**	**Issue price**	**Last trading day prior to/on the date of the relevant announcement**	**Last 5 consecutive trading days prior to/on the date of the relevant announcement**	**Last 10 consecutive trading days prior to/on the date of the relevant announcement**
		HK$	*%*	*%*	*%*
11/1/2016	Kiu Hung International Holdings Limited (381)	0.100	29.9	25.3	–
21/1/2016	China Agroforestry Low-Carbon Holdings Limited (1069)	0.198	–	2.9	–
27/1/2016	China Success Finance Group Holdings Limited (3623)	3.900	40.8	39.1	38.1
26/9/2016	Vongroup Limited (318)	1.242	(19.9)	(14.0)	–
26/10/2016	Prosperity International Holdings (H.K.) Limited (803)	0.150	5.6	10.6	11.5
28/10/2016	Phoenix Healthcare Group Co. Ltd (1515)	9.500	(23.0)	–	–
31/10/2016	Credit China Fintech Holdings Limited (8207)	0.7681	(18.3)	(20.0)	–
2/11/2016	HMV Digital China Group Limited (8078)	0.695	(18.2)	(16.5)	(15.7)
2/11/2016	New Concepts Holdings Limited (2221)	2.660	(6.7)	0.0	–
3/11/2016	China Hanya Group Holdings Limited (8312)	0.960	(46.4)	(44.2)	–
7/11/2016	China Dredging Environment Protection Holdings Limited (871)	0.350	(7.9)	(16.9)	(21.7)
9/11/2016	Purapharm Corporation Limited (1498)	4.500	11.7	10.8	13.4
14/11/2016	Comtec Solar Systems Group Limited (712)	0.355	0.0	(1.9)	(2.9)
18/11/2016	China Creative Global Holdings Limited (1678)	0.600	15.4	15.4	16.5

Date of announcement	Listed issuer (stock code)	Issue price	Premium/(discount) of the issue price over/(to) the closing price: Last trading day prior to/on the date of the relevant announcement	Last 5 consecutive trading days prior to/on the date of the relevant announcement	Last 10 consecutive trading days prior to/on the date of the relevant announcement
		HK$	*%*	*%*	*%*
14/12/2016	Greater China Financial Holdings Limited (431)	0.250	5.0	2.8	0.7
16/12/2016	China Saite Group Company Limited (153)	0.557	(2.3)	(4.6)	(3.0)
20/12/2016	U-Home Group Holdings Limited (2327)	0.350	(10.3)	(10.3)	(10.5)
30/12/2016	China Vanadium Titano-Magnetite Mining Company Limited (893)	0.365	14.1	14.4	10.9
9/1/2017	HMV Digital China Group Limited (8078)	0.725	(4.6)	(5.4)	(3.7)
10/1/2017	Titan Petrochemicals Group Limited (1192)	0.080	7.5	2.6	3.9
		Maximum	40.8	39.1	38.1
		Minimum	(46.4)	(44.2)	(21.7)
		Median	(2.3)	0.0	0.7
1/10/2017	The Company		(4.2)	(4.6)	(2.1)

Note: *Where the Shares Comparables' relevant announcements did not include sufficient disclosures of premium/(discount) of the issue price over/(to) the closing price, we have excluded the data from the final calculations of our Shares Comparables review.*

Source: *HKEx website*

The discount of the Issue Price to (i) the closing price of the Shares on the Last Trading Day of approximately 4.2% is higher than the median discount of approximately 2.3% of the issue prices of the shares of the Shares Comparables on the respective last trading day of shares of the Shares Comparables prior to/on the date of the relevant announcement; (ii) the average closing price of the Shares for the last 5 consecutive trading days up to and including the Last Trading Day of approximately 4.6% is higher than the median premium/discount of nil of the issue prices of the shares of the Shares Comparables on the respective last 5 consecutive trading days of shares prior to/on the date of the relevant announcement; and (iii) the average closing price of the Shares for the last 10 consecutive trading days up to and including the Last Trading Day of approximately 2.1% is lower than the median premium of approximately 0.7% of the issue prices of the shares of the Shares Comparables on the respective last 10 consecutive trading days of shares prior to/on the date of the relevant announcement.

Notwithstanding the Issue Price, relative to the Company's closing Share price on its Last Trading Day, last 5 consecutive trading days and last 10 consecutive trading days, has a slightly higher discount than the issue prices of the shares of the Shares Comparables, we have taken into account (i) the closing Share price fluctuated between HK$0.039 and HK$0.049 during the Review Period and spiked up from HK$0.044 to a high of HK$0.048 within two months of the Last Trading Day, as mentioned in the paragraph headed "Historical Share prices" above, which gave rise to such discounts during the last month prior to the Last Trading Day; (ii) the Issue Price represents a premium of approximately 7.0% over the average closing Share price of approximately HK$0.043 for the last 180 trading days up to and including the Last Trading Day; and (iii) the Issue Price, relative to the Company's closing Share price on its Last Trading Day, last 5 consecutive trading days, and last 10 consecutive trading days, is within market range as compared to the Shares Comparables. As such, we are of the view the Issue Price is fair and reasonable to the Independent Shareholders.

5.3.2 Effect of dilution on public Shareholders

For illustrative purposes, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Completion (assuming there is no conversion of any of the Convertible Note); and (iii) upon Completion (assuming full conversion of the Convertible Note):

	(i) As at the Latest Practicable Date		**(ii) Immediately upon Completion and before conversion of any of the Convertible Note**		**(iii) Immediately upon Completion and after full conversion of the Convertible Note** *(Note)*	
	Shares	*Approx. %*	*Shares*	*Approx. %*	*Shares*	*Approx. %*
Midland Holdings	6,109,769,975	44.58%	6,109,769,975	33.84%	6,109,769,975	27.27%
The Directors	23,000,000	0.17%	23,000,000	0.13%	23,000,000	0.10%
Public Shareholders	6,643,079,305	48.47%	6,643,079,305	36.80%	6,643,079,305	29.66%
The Seller	929,150,720	6.78%	5,276,976,806	29.23%	9,624,802,892	42.97%
Total	**13,705,000,000**	**100.00%**	**18,052,826,086**	**100.00%**	**22,400,652,172**	**100.00%**

Note: The above table is for illustration and disclosure purposes only. It does not indicate or imply any intention or decision on the part of the Seller as to the timing or extent of conversion of the Convertible Note. The relevant parties will observe and comply with the requirements of the Listing Rules or the Takeovers Code in connection with the conversion of the Convertible Note if and when it takes place.

As illustrated in the above shareholding table, upon Completion, a total of 4,347,826,086 new Shares will be allotted and issued by the Company to the Seller pursuant to the Acquisition Agreement as payment for part of the Consideration, before conversion of any of the Convertible Note. As a result, the aggregate shareholding of the public Shareholders will then be diluted from approximately 48.5% to approximately 36.8%, representing a dilution of approximately 11.7%.

We noted that the above action will result in a dilution effect for the public Shareholders. Nonetheless, taking into account (i) the benefits of the Acquisition as disclosed under the section headed ''Reasons and benefits for the Acquisition'' above; (ii) the advantages of the settlement method and arrangement as elaborated under the section headed "Settlement" above; and (iii) the positive financial impact to the Group and its Shareholders as a result of the Acquisition, in particular, that the net asset value per Shares, with the issuance of the Consideration Shares, will be accretive upon Completion (as further described in the section headed "Potential financial effects as a result of the Acquisition" below), we are of the view that the potential benefits and positive effects arising from the Acquisition outweigh the dilution effect to the existing public Shareholders. We are therefore of the view that the level of dilution is acceptable and fair and reasonable.

The Seller will only be able to convert the Convertible Note into Conversion Shares by making a general offer or applying for a whitewash waiver pursuant to note 1 on dispensations from Rule 26 of the Codes on Takeovers and Mergers and Share Repurchases, which would be subject to the approval of the Independent Shareholders. As such, the Management takes the view, and we concur, that adequate measures are in place to protect the interests of the Independent Shareholders as a whole.

5.3.3 Convertible Note

To evaluate the fairness and reasonableness of the terms of the Convertible Note, we have made a comparison of convertible bonds carrying no interest issued by companies listed on the Main Board and GEM of the Stock Exchange announced from 10 January 2016 up to and including the Last Trading Day. We have identified 24 issues of convertible bonds that were issued (irrespective of the companies' size of funding and maturity date) (the "**Convertible Note Comparables**"). It should be noted that all the subject companies involved in the Convertible Note Comparables below may have different principal business nature, business operations, profitability, prospects, and financial positioning from those of the Company. Circumstances leading the companies in the Convertible Note Comparables to issue convertible bonds may differ from that of the Company. The analysis is meant to be used as a general reference to similar types of transactions in Hong Kong, and we consider them to be one of the appropriate basis to assess the fairness of the terms of the Convertible Note.

Date of Announcement	Listed issuer (stock code)	Principal amount of the convertible bonds	Conversion price	Maturity	Conversion price represented premium/ (discount) over/to the last trading day prior to/on the date of the relevant announcement	Conversion price represented premium/ (discount) over/to the last 5 trading days prior to/on the date of the relevant announcement
		'000	*HK$*	*Months*	*%*	*%*
13/1/2016	Cosmopolitan International Holdings Limited (120)	HKD57,050	0.350	48	6.1	4.2
18/1/2016	Hsin Chong Construction Group Limited (404)	HKD34,000	1.000	24	35.1	33.3
19/1/2016	China Railway Construction Corporation Limited (1186)	USD500,000	10.300	60	37.5	31.9
19/1/2016	China Fortune Investments (Holdings) Limited (8116)	HKD25,000	0.420	6	70.7	67.9
25/1/2016	Kiu Hung International Holdings Limited (381)	HKD100,766	0.115	24	71.3	67.4
26/1/2016	CRRC Corporation Limited (1766)	USD600,000	9.650	60	32.2	–
14/2/2016	Sun East Technology (Holdings) Limited (365)	HKD148,000	0.400	60	(72.8)	(70.6)
25/2/2016	Chinese Strategic Holdings Limited (8089)	HKD120,000	0.500	46	(45.7)	(33.7)
4/3/2016	AGTech Holdings Limited (8279)	HKD712,582	0.348	36	(82.5)	(82.1)
11/3/2016	Kiu Hung International Holdings Limited (381)	HKD31,500	0.100	24	104.1	104.1
17/3/2016	Sheen Tai Holdings Group Company Limited (1335)	HKD236,100	0.720	24	(19.1)	(18.2)
4/4/2016	China Finance Investment Holdings Limited (875)	HKD2,400,000	0.122	60	–	1.2
5/5/2016	China Fortune Investments (Holdings) Limited (8116)	HKD10,000	0.250	24	1.6	2.2
30/6/2016	China Zenith Chemical Group Limited (362)	HKD400,000	0.400	36	53.8	57.5
13/7/2016	Sino Golf Holdings Limited (361)	HKD74,100	0.114	60	(63.2)	(59.9)
7/9/2016	Fullshare Holdings Limited (607)	HKD350,000	3.715	12	(32.1)	(30.6)
20/9/2016	Sun Century Group Limited (1383)	HKD570,000	0.260	24	4.0	3.2
30/9/2016	Sino Golf Holdings Limited (361)	HKD74,100	0.114	60	(63.2)	(59.9)
11/10/2016	Haitong International Securities Group Limited (665)	HKD3,880,000	6.811	60	32.0	28.8
28/10/2016	Sun Century Group Limited (1383)	HKD570,000	0.260	24	4.0	3.2
9/11/2016	Kiu Hung International Holdings Limited (381)	HKD31,500	0.100	24	(21.9)	104.1

Date of Announcement	Listed issuer (stock code)	Principal amount of the convertible bonds	Conversion price	Maturity	Conversion price represented premium/ (discount) over/to the last trading day prior to/on the date of the relevant announcement	Conversion price represented premium/ (discount) over/to the last 5 trading days prior to/on the date of the relevant announcement
		'000	*HK$*	*Months*	*%*	*%*
16/11/2016	Kiu Hung International Holdings Limited (381)	HKD67,489	0.100	24	(15.3)	43.7
28/11/2016	China Soft Power Technology Holdings Limited (139)	HKD205,000	0.183	24	–	0.3
23/12/2016	Asia Investment Finance Group Limited (33)	HKD75,000	0.150	36	29.3	24.6
			Minimum	6	(82.5)	(82.1)
			Maximum	60	104.1	104.1
			Median	30	2.8	3.2
1/10/2017	The Company			48	(4.2)	(4.6)

Note: *Where the Convertible Note Comparables' relevant announcements did not include sufficient disclosures of premium/(discount) of the conversion price over/(to) the closing price, we have excluded the data from the final calculations of our Convertible Note Comparables review.*

Source: *HKEx website*

In reference to the above table, the conversion prices of the convertible bonds of the Convertible Note Comparables ranged from (i) a discount of approximately 82.5% to a premium of approximately 104.1% to the respective closing prices of the shares of the Convertible Note Comparables on the respective last trading day prior to/on the date of the relevant announcement; and (ii) a discount of approximately 82.1% to a premium of approximately 104.1% to the respective average closing prices of the shares of the Convertible Note Comparables over the last five consecutive trading days prior to/on the date of the relevant announcement.

The discount of the Conversion Price to (i) the closing price of the Shares on the Last Trading Day of approximately 4.2% is lower than the median premium of approximately 2.8% of the conversion prices of the convertible bond of the Convertible Note Comparables on the respective last trading day of shares prior to/on the date of the relevant announcement; and (ii) the discount of approximately 4.6% to the average closing price of the Shares for the last 5 consecutive trading days up to and including the Last Trading Day is lower than the median premium of approximately 3.2% of the conversion prices of the convertible bond of the Convertible Note Comparables on the respective last 5 consecutive trading days of shares prior to/on the date of the relevant announcement.

Notwithstanding the Conversion Price, relative to the Company's closing Share price on its Last Trading Day and last 5 consecutive trading days, has a slightly higher discount than the conversion prices of the convertible bonds of the Convertible Note Comparables, we have to take into account that (i) the closing Share price fluctuated between HK$0.039 and HK$0.049 during the Review Period and spiked up from HK$0.044 to a high of HK$0.048 within two months of the Last Trading Day, as mentioned in the paragraph headed "Historical Share prices" above, which gave rise to such discounts during the last month prior to the Last Trading Day; (ii) the Conversion Price represents a premium of approximately 7.0% over the average closing price of approximately HK$0.043 for the last 180 trading days up to and including the Last Trading Day; and (iii) the Conversion Price, relative the Company's closing Share price on its Last Trading Day as well as last 5 consecutive trading days, is within market range of the Convertible Note Comparables. As such, we are of the view the Conversion Price is fair and reasonable to the Independent Shareholders.

5.4 Section summary

Taking into account the above, we are of the view that, though not in the ordinary and usual course of business of the Group, the entering of the Acquisition Agreement by the Company is on normal commercial terms and the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Potential financial effects as a result of the Acquisition

Upon Completion, the Target Company will be a subsidiary of the Company, and its financial results, assets and liabilities will be consolidated with the accounts of the Group thereafter. The possible financial effects of the Acquisition on the Group's net asset value, gearing, liquidity, earnings and cash position as described in Appendix IV to the Circular are summarised and considered below. However, it should be noted that the analysis below is for illustrative purpose only and does not purport to represent the financial position of the Group upon Completion. The actual financial effects from the Acquisition will be computed based on the financial information of the Target Company on the Completion Date.

6.1 Net asset value

The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the assets and liabilities of the Group (assuming the Acquisition had been completed on 30 June 2016) is set out in Appendix IV of the Circular. Assuming the Acquisition had been completed on 30 June 2016, the net asset value of the Enlarged Group will be increased by approximately 35.0% from approximately HK$701.8 million as at 30 June 2016 to approximately HK$947.2 million upon Completion. Based on the number of Shares in issue as at 30 June 2016 and the number of Shares in issue upon Completion as enlarged by the Consideration Shares (but without taking into account the exercise of the conversion rights attached to the Convertible Note), the net asset value per Share will increase from approximately HK$0.051 as at 30 June 2016 to approximately HK$0.052 upon Completion.

6.2 Net current assets

The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisition on the assets and liabilities of the Group (assuming the Acquisition had been completed on 30 June 2016) is set out in Appendix IV of the Circular. Assuming the Acquisition had been completed on 30 June 2016, the net current assets of the Enlarged Group will decrease by approximately 0.8% from approximately HK$635.0 million as at 30 June 2016 to approximately HK$630.0 million upon Completion, and the Group is expected to achieve a lower current ratio of approximately 3.6 upon Completion as compared to its current ratio of approximately 4.1 as at 30 June 2016.

6.3 Gearing

In reference to the 2016 Interim Report, as at 30 June 2016, the Group had a gearing ratio (calculated by dividing total bank loan by total equity) of approximately 1.1%. Based on the unaudited pro forma statement of financial position of the Enlarged Group (assuming the Acquisition had been completed on 30 June 2016) as set out in Appendix IV to the Circular, as at 30 June 2016, the Enlarged Group would have a gearing ratio of approximately 18.7% (calculated by dividing the aggregate of bank loan and debt portion of the Convertible Note by total equity). In view of the aforesaid figures, the gearing ratio of the Enlarged Group will increase to approximately 18.7% upon Completion, and we note such gearing ratio is still relatively low.

6.4 Earnings

In light of the potential future prospects offered by the Acquisition as stated in the section headed "Reasons for and benefits for the Acquisition" above, the Management is of the view that the Acquisition will likely contribute positively to the Enlarged Group. Nevertheless, the actual effect on earnings of the Group will depend on the future financial performance of the Target Company.

6.5 Cash position

As the Acquisition is to be settled by the issuance of Consideration Shares and the Convertible Note, the Acquisition is not expected to have any immediate adverse impact on the Group's cash and bank balances position. In this connection, we have also considered the cash and bank balances of the Group as at 30 June 2016. Based on the 2016 Interim Report and the unaudited pro forma statement of financial position of the Enlarged Group (assuming the Acquisition had been completed on 30 June 2016) as set out in Appendix IV of the Circular, the cash and bank balances of the Enlarged Group will increase from approximately HK$626.8 million to approximately HK$659.6 million upon Completion. We therefore note that the Enlarged Group will have enough cash and bank balances to continue its day-to-day business operations.

6.6 Section summary

Having considered the abovementioned possible financial effects of the Acquisition, which will have no material adverse impact on the Enlarged Group, we are of the view that the overall possible financial effects to the Group as a result of the Acquisition are acceptable.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms of the Acquisition Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole; and (ii) the Acquisition is on normal commercial terms, despite the Acquisition is not in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Acquisition to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Executive Director

Ms. Jeanny Leung ("Ms. Leung") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 26 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2015, 2014 and 2013, as extracted from the annual reports of the Company for the years ended 31 December 2015, 2014 and 2013, and for the six months ended 30 June 2016, as extracted from the interim report of the Company for the six months ended 30 June 2016.

	For the six months ended 30 June	Year ended 31 December		
	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS				
Revenues	231,041	470,143	547,678	562,505
(Loss)/profit before taxation	(8,606)	6,072	45,476	32,659
Taxation	(565)	(3,701)	(5,815)	(7,755)
(Loss)/profit for the period/year	(9,171)	2,371	39,661	24,904

	As at 30 June	As at 31 December		
	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND EQUITY				
Total assets	907,997	892,670	951,809	831,296
Total liabilities	206,156	181,869	244,815	164,842
Total equity	701,841	710,801	706,994	666,454

2. LATEST PUBLISHED FINANCIAL INFORMATION

The latest published audited consolidated financial information of the Group for the three years ended 31 December 2015, 2014 and 2013 were set out on pages 35 to 74 of the annual report of the Company for the year ended 31 December 2015, pages 35 to 78 of the annual report of the Company for the year ended 31 December 2014 and pages 31 to 72 of the annual report of the Company for the year ended 31 December 2013 respectively, which can be accessed by the direct hyperlinks below:

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

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

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

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

(iii) The published consolidated financial statements of the Company for the year ended 31 December 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0428/LTN20140428618.pdf

The latest published unaudited consolidated financial information of the Group for the six months ended 30 June 2016 was set out on pages 14 to 30 of the interim report of the Company for the six months ended 30 June 2016, which can be accessed by the direct hyperlinks below:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0919/LTN20160919408.pdf

ACCOUNTANT'S REPORT ON THE TARGET COMPANY

The following is the text of the accountant's report on the Target Company prepared for the purpose of incorporation in this circular, received from the reporting accountants, PricewaterhouseCoopers.

pwc 羅兵咸永道

17 February 2017

The Directors
Midland IC&I Limited

Dear Sirs,

We report on the financial information of Most Wealth (Hong Kong) Limited (the "Target Company"), which comprises the statements of financial position of the Target Company as at 31 January 2014, 2015 and 2016 and 16 December 2016, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the years ended 31 January 2014, 2015 and 2016 and the period from 1 February 2016 to 16 December 2016 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Midland IC&I Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 17 February 2017 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

The Target Company was incorporated in Hong Kong on 19 July 2012 as a private limited company under the Hong Kong Companies Ordinance.

The statutory financial statements of the Target Company for the period ended 31 January 2014 were audited by HKCA CPA Limited.

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

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We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the interim report of the Company for the period ended 30 June 2016.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the financial position of the Target Company as at 31 January 2014, 2015 and 2016 and 16 December 2016 and of the Target Company's financial performance and cash flows for the Relevant Periods.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to III below included in Appendix II to the Circular which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the period from 1 February 2015 to 16 December 2015 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 3 of Section II below and the accounting policies adopted by the Group as set out in the interim report of the Company for the period ended 30 June 2016.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below.

I. FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is the financial information (the "Financial Information") of Most Wealth (Hong Kong) Limited (the "Target Company") prepared by the directors of Midland IC&I Limited (the "Company") as at 31 January 2014, 2015 and 2016 and 16 December 2016 and for each of the years ended 31 January 2014, 2015 and 2016 and the period from 1 February to 16 December 2015 and 2016 (the "Relevant Periods").

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 January			For the period from 1 February to 16 December	
		2014	**2015**	**2016**	**2015**	**2016**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Other income	*6*	5,081	2,671	436	436	–
Other operating costs		(5,448)	(1,512)	(551)	(551)	–
Operating (loss)/profit	*9*	(367)	1,159	(115)	(115)	–
Finance costs	*10*	(1,821)	(146)	–	–	–
(Loss)/profit before taxation		(2,188)	1,013	(115)	(115)	–
Taxation	*11*	(431)	(233)	19	19	–
(Loss)/profit and total comprehensive (loss)/income for the year/period attributable to owner of the Target Company		(2,619)	780	(96)	(96)	–

STATEMENTS OF FINANCIAL POSITION

		As at 31 January			As at 16 December
		2014	2015	2016	2016
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property and equipment	*12*	279,450	–	–	–
Property under development	*13*	–	283,005	287,924	314,943
Prepayment for non-current asset		540	–	–	–
Deferred taxation assets	*14*	–	–	19	19
		279,990	283,005	287,943	314,962
Current assets					
Other receivables	*15*	142	280	182	198
Cash and bank balances		48	396	214	32,653
		190	676	396	32,851
Total assets		280,180	283,681	288,339	347,813
EQUITY AND LIABILITIES					
Equity attributable to owner of the Target Company					
Share capital	*16*	–	–	–	344,888
Accumulated losses		(2,671)	(1,891)	(1,987)	(1,987)
Total (deficit)/equity		(2,671)	(1,891)	(1,987)	342,901
Current liabilities					
Other payables and accruals		453	454	30	4,248
Bank loan	*17*	86,326	82,579	78,757	–
Amount due to a shareholder	*18*	195,641	201,875	210,875	–
Taxation payable		431	664	664	664
Total liabilities		282,851	285,572	290,326	4,912
Total deficit/equity and liabilities		280,180	283,681	288,339	347,813

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Target Company		
	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 February 2013	–	(52)	(52)
Loss and total comprehensive loss for the year	–	(2,619)	(2,619)
At 31 January 2014 and 1 February 2014	–	(2,671)	(2,671)
Profit and total comprehensive income for the year	–	780	780
At 31 January 2015 and 1 February 2015	–	(1,891)	(1,891)
Loss and total comprehensive loss for the year	–	(96)	(96)
At 31 January 2016 and 1 February 2016	–	(1,987)	(1,987)
Issue of ordinary shares	344,888	–	344,888
As at 16 December 2016	344,888	(1,987)	342,901
Unaudited:			
At 1 February 2015	–	(1,891)	(1,891)
Loss and total comprehensive loss for the period	–	(96)	(96)
At 16 December 2015	–	(1,987)	(1,987)

STATEMENTS OF CASH FLOWS

		Year ended 31 January			For the period from 1 February to 16 December	
		2014	2015	2016	2015	2016
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities						
Net cash generated from/(used in) operations	*19*	4,803	1,423	(441)	(373)	(46)
Cash flows from investing activities						
Capital expenditure for property under development		–	(1,808)	(3,235)	(3,006)	(21,325)
Additions for property and equipment		(2,700)	–	–	–	–
Interest capitalised		–	(1,608)	(1,684)	(1,415)	(1,446)
Prepayment for non-current asset		(540)	–	–	–	–
Net cash used in investing activities		(3,240)	(3,416)	(4,919)	(4,421)	(22,771)
Cash flows from financing activities						
Repayment of a bank loan		(3,674)	(3,747)	(3,822)	(3,174)	(78,757)
Interest paid		(1,821)	(146)	–	–	–
Advance from a shareholder		3,950	6,234	9,000	7,800	134,013
Net cash (used in)/generated from financing activities		(1,545)	2,341	5,178	4,626	55,256
Net increase/(decrease) in cash and cash equivalents		18	348	(182)	(168)	32,439
Cash and cash equivalents at beginning of the year/period		30	48	396	396	214
Cash and cash equivalents at end of the year/period		48	396	214	228	32,653

Major non-cash transaction:

During the period from 1 February 2016 to 16 December 2016, advance from a shareholder of HK$210,875,000 was converted into share capital.

II. NOTES TO FINANCIAL INFORMATION

1 GENERAL INFORMATION

Most Wealth (Hong Kong) Limited (the "Target Company") is a private company incorporated in Hong Kong on 19 July 2012 with limited liability. The address of its registered office and principal place of business is Room 912, 9/F., Tower 2, Lippo Centre, 89 Queensway, Hong Kong. The principal activity of the Target Company is property investment which holds a property located at Nos. 33 and 35 Java Road, North Point, Hong Kong.

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

2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance Cap.622. The Financial Information has been prepared under the historical cost convention.

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

(a) The following new standards and amendments to existing standards have been issued, but are not effective for the period ended 16 December 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 7 (Amendment)	Disclosure Initiative	1st January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019

The expected impacts from the adoption of the above standards and amendments are still being assessed by management, and management is not yet in a position to state whether they would have a significant impact on the Target Company's results of operations and financial position.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	Shorter of remaining lease terms or useful life

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other operating costs, in the statement of comprehensive income.

(b) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(c) Property under development

Property under development comprises leasehold land and land use rights, development expenditure and borrowing cost capitalised, and are carried at the lower of cost and net realisable value. Property under development included in the current asset if it is expected to be realized in, or is intended for sale in the Target Company's normal operating cycle. No depreciation is provided for property under development.

(d) Financial assets

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

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

Recognition and measurement

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

(e) Offsetting financial instruments

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

(f) Impairment of financial assets

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

(g) Other receivables

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

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

(h) Cash and bank balances

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

(i) Share capital

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

(j) Other payables

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

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

(k) Borrowings

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

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

(l) Borrowings costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Taxation

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

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

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

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

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Retirement scheme obligations

Contributions to defined contribution retirement schemes which are available to all employees, calculated at rates specified in the rules of the schemes, are charged to the statement of comprehensive income when the contributions are payable to the fund.

(o) Provisions

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

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

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

(p) Other income

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

Management fee income is recognised when services are rendered.

(q) Operating leases

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

(r) Contingent liabilities

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

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

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Credit risk

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

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

Cash and bank balances are deposits in banks with sound credit ratings. Given their sound credit ratings, the Target Company does not expect to have high credit risk in this aspect.

(ii) Liquidity risk

The Target Company maintains its own treasury function to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations.

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

	On demand	Less than 1 year
	HK$'000	*HK$'000*
As at 16 December 2016		
Other payables and accruals	–	4,248
Bank loan	–	–
Amount due to a shareholder	–	–
	–	4,248
As at 31 January 2016		
Other payables and accruals	–	30
Bank loan	78,757	–
Amount due to a shareholder	210,875	–
	289,632	30
As at 31 January 2015		
Other payables and accruals	–	454
Bank loan	82,579	–
Amount due to a shareholder	201,875	–
	284,454	454
As at 31 January 2014		
Other payables and accruals	–	453
Bank loan	86,326	–
Amount due to a shareholder	195,641	–
	281,967	453

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

Taking into account the Target Company's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	Maturity analysis – Bank loan subject to a repayment on demand clause based on scheduled repayments			
	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 16 December 2016				
Bank loan	–	–	–	–
Interest payable	–	–	–	–
	–	–	–	–
As at 31 January 2016				
Bank loan	3,892	16,542	58,323	78,757
Interest payable	1,633	5,664	7,700	14,997
	5,525	22,206	66,023	93,754
As at 31 January 2015				
Bank loan	3,822	16,167	62,590	82,579
Interest payable	1,684	6,013	8,984	16,681
	5,506	22,180	71,574	99,260
As at 31 January 2014				
Bank loan	3,747	15,811	66,768	86,326
Interest payable	1,754	6,325	10,356	18,435
	5,501	22,136	77,124	104,761

(iii) Cash flow and fair value interest rate risk

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

At each of the balance sheet dates, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Target Company's profit before taxation would have been approximately HK$225,000, HK$16,000, nil and nil lower/higher for the years ended 31 January 2014, 2015, 2016 and the period from 1 February to 16 December 2016 respectively.

(b) Capital risk management

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

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

The shareholder of the Target Company has agreed to provide financial support to the Target Company to maintain as a going concern and not to demand for any repayment of the amount due to a shareholder until the Target Company is in a financial position to do so.

(c) Fair value estimation

The carrying amounts of the financial assets of the Target Company, including cash and bank balances and other receivables and financial liabilities including other payable and accruals approximate their fair values due to their short-term maturities.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Income taxes

Deferred taxation assets relating to certain temporary differences and tax losses are recognised to the extent that management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

6 OTHER INCOME

	Year ended 31 January			For the period from 1 February to 16 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Rental income	4,875	2,533	406	406	–
Management fee income	206	126	29	29	–
Others	–	12	1	1	–
	5,081	2,671	436	436	–

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 January			For the period from 1 February to 16 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and allowances	289	267	224	224	–
Pension costs for defined contribution plans	10	15	13	13	–
	299	282	237	237	–

8 BENEFITS AND INTERESTS OF DIRECTORS

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

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

(b) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the Relevant Periods.

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

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

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

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

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

Except for those disclosed in Note 18, there were no significant transactions, arrangements and contracts in relation to the Target Company's business to which the Target Company was a party and in which a director of the Target Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Relevant Periods.

9 OPERATING (LOSS)/PROFIT

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

	Year ended 31 January			For the period from 1 February to 16 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Depreciation *(Note 12)*	4,819	401	–	–	–
Auditor's remuneration	14	15	12	12	–

10 FINANCE COSTS

	Year ended 31 January			For the period from 1 February to 16 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest charge on bank borrowings repayable within five years	1,821	1,754	1,684	1,415	1,446
Less: interest expenses capitalised into property under development *(Note 13)*	–	(1,608)	(1,684)	(1,415)	(1,446)
	1,821	146	–	–	–

11 TAXATION

	Year ended 31 January			For the period from 1 February to 16 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current Hong Kong profits tax	431	233	–	–	–
Deferred *(Note 14)*	–	–	(19)	(19)	–
	431	233	(19)	(19)	–

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

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

	Year ended 31 January			For the period from 1 February to 16 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
(Loss)/profit before taxation	(2,188)	1,013	(115)	(115)	–
Calculated at a taxation rate of 16.5%	(361)	167	(19)	(19)	–
Expenses not deductible for taxation purposes	795	66	–	–	–
Utilisation of unrecognised tax losses	(3)	–	–	–	–
Taxation charge/(credit)	431	233	(19)	(19)	–

12 PROPERTY AND EQUIPMENT

	Land and buildings HK$'000
At 1 February 2013	
Cost	284,295
Accumulated depreciation	(26)
Net book amount	284,269
Year ended 31 January 2014	
Opening net book amount	284,269
Depreciation *(Note 9)*	(4,819)
Net book amount	279,450
At 31 January 2014	
Cost	284,295
Accumulated depreciation	(4,845)
Net book amount	279,450
Year ended 31 January 2015	
Opening net book amount	279,450
Depreciation *(Note 9)*	(401)
Transfer to property under development	(279,049)
Net book amount	–
At 31 January 2015, 31 January 2016 and 16 December 2016	
Cost	–
Accumulated depreciation	–
Net book amount	–

Land and buildings amounting to HK$279,450,000 as at 31 January 2014 were pledged as a security for the Target Company's bank loan (note 17).

13 PROPERTY UNDER DEVELOPMENT

	HK$'000
At 1 February 2013 and 31 January 2014	–
Transfer from property and equipment	279,049
Interest capitalised *(Note 10)*	1,608
Capital expenditures	2,348
At 31 January 2015	283,005
Opening book amount	283,005
Interest capitalised *(Note 10)*	1,684
Capital expenditures	3,235
At 31 January 2016	287,924
Opening book amount	287,924
Interest capitalised *(Note 10)*	1,446
Capital expenditures	25,573
At 16 December 2016	314,943

	HK$'000
Unaudited:	
At 31 January 2015	283,005
Interest capitalised *(Note 10)*	1,415
Capital expenditures	3,082
At 16 December 2015	287,502

Property under development amounting to HK$283,005,000 and HK$287,924,000 as at 31 January 2015 and 31 January 2016, respectively is pledged as a security for the Target Company's bank loan (note 17).

14 DEFERRED TAXATION ASSETS

	As at 31 January			As at 16 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred taxation assets	–	–	19	19

The movements on the deferred taxation assets are as follows:

	Tax losses
	HK$'000
At 1 February 2013, 31 January 2014 and 31 January 2015	–
Recognised in the statement of comprehensive income *(note 11)*	19
At 31 January 2016 and 16 December 2016	19

	Tax losses
	HK$'000
Unaudited:	
At 1 February 2015	–
Recognised in the statement of comprehensive income *(note 11)*	19
At 16 December 2015	19

Deferred taxation assets are expected to be recoverable after more than twelve months.

15 OTHER RECEIVABLES

	As at 31 January			As at 16 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables, prepayments and deposits	142	280	182	198

The Target Company's other receivables are denominated in Hong Kong dollars.

16 SHARE CAPITAL

	Number of ordinary shares	*HK$'000*
Issued and fully paid:		
At 1 February 2013, 31 January 2014, 2015 and 2016	1	–
Issue of ordinary shares during the period from 1 February 2016 to 16 December 2016 *(Note)*	2	344,888
At 16 December 2016	3	344,888

Note:

The Target Company issued 2 shares to a shareholder at a consideration of HK$344,888,000 during the period from 1 February 2016 to 16 December 2016.

17 BANK LOAN

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

	As at 31 January			As at 16 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	3,747	3,822	3,892	–
After 1 year but within 2 years	3,822	3,892	4,005	–
After 2 years but within 5 years	11,989	12,275	12,537	–
Over 5 years	66,768	62,590	58,323	–
	86,326	82,579	78,757	–

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

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

The bank loan is secured by the Target Company's land and buildings (Note 12) and property under development (Note 13) and personal guarantee given by a shareholder of the Target Company (Note 18).

During the period from 1 February to 16 December 2016, the bank loan was fully repaid.

The effective interest rate of bank loan is 2.06%, 2.09% and 2.07% as of 31 January 2014, 2015 and 2016. The carrying amount of the bank loan approximates its fair value.

18 RELATED PARTY TRANSACTIONS

(a) Amount due to a shareholder

The amount due to a shareholder is unsecured, interest free and has no fixed repayment term.

(b) Guarantee by a shareholder

During the Relevant Period, the bank loan was guaranteed by a shareholder of the Target Company.

19 NOTES TO THE STATEMENTS OF CASH FLOWS

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

	Year ended 31 January			For the period from 1 February to 16 December	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating (loss)/profit	(367)	1,159	(115)	(115)	–
Depreciation expenses	4,819	401	–	–	–
Operating profit/(loss) before working capital changes	4,452	1,560	(115)	(115)	–
Change in other receivables	(70)	(138)	98	123	(16)
Change in other payables and accruals	421	1	(424)	(381)	(30)
Net cash generated from/(used in) operations	4,803	1,423	(441)	(373)	(46)

20 FUTURE LEASE RENTAL RECEIVABLE

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

	As at 31 January			As at 16 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,046	344	–	–
Between one year and five years	132	10	–	–
	1,178	354	–	–

21 CAPITAL COMMITMENTS

The Target Company had capital expenditure contracted for but not yet incurred as follows:

	As at 31 January			As at 16 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure for property under development	1,260	4,320	49,674	27,413

22 CONTINGENT LIABILITIES AND GUARANTEES

The Target Company did not have any material contingent liabilities or guarantees as at 31 January 2014, 2015 and 2016 and 16 December 2016.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 16 December 2016 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company in respect of any period subsequent to 16 December 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company for each of the years ended 31 January 2014, 2015 and 2016 and the period from 1 February 2016 to 16 December 2016 (the "Relevant Period"). As the Target Company will be acquired on a debt-free basis, the Company intends to present the financial statements of the Target Company on the same basis so as to give a clearer picture of the financial position of the Target Company. Since the settlement of all bank borrowings of the Target Company (i.e. the Target Company became debt-free) were completed on 16 December 2016, the financial statements of the Target Company were prepared on that day. Based on the understanding of the Company, there has been no material change in the financial position of the Target Company between 16 December 2016 and 31 December 2016.

Business review

The Target Company is a company incorporated in Hong Kong with limited liability. The principal activity of the Target Company is property investment which holds a property located at Nos. 33 and 35 Java Road, Hong Kong (the "Property"). It comprises a 13-storey residential-cum-retail building completed in 1966. It is currently under the Property Enhancement Project and is expected to be used as serviced apartments and shops on or before the Target Date.

Results of operations

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

	For the year ended 31 January			For the period from 1 February to 16 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other income	5,081	2,671	436	–
Other operating costs	(5,448)	(1,512)	(551)	–
Finance costs	(1,821)	(146)	–	–
(Loss)/profit for the year/period	(2,619)	780	(96)	–

For the years ended 31 January 2014, 2015 and 2016, other income of the Target Company was generated from leasing of the Property. As the Target Company had planned to convert the Property into serviced apartments, it did not renew the leases when they expired and the occupancy rate declined over the Relevant Period. As such, other income of the Target Company decreased over the years.

Other operating costs mainly comprised depreciation charges. The Property was transferred from property and equipment to property under development during the year ended 31 January 2015, and depreciation charges and finance costs were capitalised as part of the property cost since then. Hence, the other operating costs and finance costs decreased accordingly.

Financial review

Liquidity, financial resources and funding

As at 31 January 2014, 2015 and 2016 and 16 December 2016, the Target Company had cash and bank balances and bank loan as follow:

	As at 31 January			As at 16 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	48	396	214	32,653
Bank loan	86,326	82,579	78,757	–

The bank loan was secured by the Target Company's land and buildings with net book amount of HK$279,450,000 as at 31 January 2014 and property under development with net book amount of HK$283,005,000 and HK$287,924,000 as at 31 January 2015 and 31 January 2016, respectively. The maturity profile of the bank loan set out as follows:

	As at 31 January			As at 16 December
	2014	**2015**	**2016**	**2016**
Repayable	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	3,747	3,822	3,892	–
After 1 year but within 2 years	3,822	3,892	4,005	–
After 2 years but within 5 years	11,989	12,275	12,537	–
Over 5 years	66,768	62,590	58,323	–
	86,326	82,579	78,757	–

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

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

The following table sets out the Target Company's gearing ratio as at 31 January 2014, 2015 and 2016 and 16 December 2016:

	As at 31 January			As at 16 December
	2014	**2015**	**2016**	**2016**
Gearing ratio	44.7%	41.3%	37.7%	–

The gearing ratio is calculated on the basis of the Target Company's bank loan over the aggregate of the equity and the amount due to a shareholder of the Target Company.

Segmental information

The operation of the Target Company represents a single operating and reportable segment, which is property investment. As such, there is no segment information available for the three years ended 31 January 2014, 2015 and 2016 and the period from 1 February 2016 to 16 December 2016.

Capital structure

During the three years ended 31 January 2014, 2015 and 2016, there was no material change in the Target Company's capital structure. During the period from 1 February 2016 to 16 December 2016, 2 ordinary shares were issued for consideration of HK$344,888,000. The Target Company generally finances its operations and investing activities by bank loan and shareholder's fund.

Foreign exchange exposure

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

Future plan for material investments or capital assets

Save for the Property Enhancement Project of the Property, the Target Company has no plan for material investments or capital assets for the years ended 31 January 2017 and ending 31 January 2018. The aforementioned capital expenditure is expected to be funded by internal resources of the Target Company.

Employee information

The Target Company provides remuneration package to employees largely based on individual performance, qualification and experience. The Target Company provides other benefits to its employees such as retirement benefits. As at 31 January 2014, 2015 and 2016 and 16 December 2016, the Target Company employed following full-time employees.

	As at 31 January			As at 16 December
	2014	**2015**	**2016**	**2016**
Number of full-time employees	3	3	–	–

Contingent liabilities

As at 31 January 2014, 2015 and 2016 and 16 December 2016, the Target Company had no material contingent liabilities.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Introduction

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group ("Unaudited Pro Forma Financial Information"), which has been prepared based on the notes set forth below to illustrate the effect of the Acquisition as if the Acquisition had taken place on 30 June 2016.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2016, or any future date.

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

Unaudited pro forma consolidated statement of assets and liabilities

			Pro forma adjustments					
	The Group as at 30 June 2016 (Unaudited)	The Target Company as at 16 December 2016			Other adjustments			The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
ASSETS AND LIABILITIES								
Non-current assets								
Property, plant and equipment	5,200	–						5,200
Investment properties	59,500	–						59,500
Property under development	–	314,943	28,068	71,989			5,000	420,000
Deferred taxation assets	2,807	19						2,826
	67,507	314,962						487,526
Current assets								
Trade and other receivables	210,854	198						211,052
Tax recoverable	2,846	–						2,846
Cash and bank balances	626,790	32,653				110		659,553
	840,490	32,851						873,451
Current liabilities								
Trade and other payables	195,490	4,248	28,068				5,000	232,806
Bank loan	7,718	–						7,718
Taxation payable	2,315	664						2,979
	205,523	4,912						243,503
Net current assets	634,967	27,939						629,948
Non-current liabilities								
Convertible note – debt portion	–	–			169,597			169,597
Deferred taxation liabilities	633	–						633
	633	–						170,230
Net assets	**701,841**	**342,901**						**947,244**

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the unaudited condensed consolidated financial statements of the Group as set out in the interim report of the Company for the six months ended 30 June 2016.

2. The amounts are extracted from the financial information of the Target Company, as set out on Appendix II to the Circular.

3. As at the date of the Acquisition Agreement, the renovation and refurbishment works of the Property is not yet completed. The pro forma adjustment represents the estimated additional costs required for completion of the Property Enhancement Project of HK$28,068,000 to be incurred by the Target Company which may be different from the actual amount of cost to be incurred.

4. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the directors of the Company considered that the substance of the Acquisition is an acquisition of assets.

   The adjustment represents the estimated fair value adjustment to the Property being acquired. The directors have made reference to the valuation report prepared by the independent valuer, Jones Lang LaSalle Limited ("JLL"), for the value of the Property assuming completion of renovation as at the date of valuation of HK$415,000,000.

   Since the fair value of the Property as at the Completion Date may be different from the value used in the preparation of the Unaudited Pro Forma Financial Information, the final amount of the Property and the fair value adjustment on the Property to be recognised in connection with the Acquisition may be different from the estimated amount as shown above.

5. The adjustment represents the non-equity consideration paid for the acquisition of the entire issued shares of the Target Company.

   Pursuant to the Acquisition Agreement, the Consideration payable to the Seller for the sale of the entire issued shares of the Target Company will be settled at Completion by a combination of:

   (i) the allotment and issue of the Consideration Shares in the amount of HK$200.0 million; and

   (ii) the issue of the Convertible Note in the amount of HK$200.0 million. The Convertible Note bears no interest and is convertible into shares of the Company at conversion price of HK$0.046 (subject to anti-dilutive adjustments) per share. The maturity date of the Convertible Note is on the fourth anniversary of the date of issue. The Directors have engaged an independent valuer, JLL, to determine the fair value of the liability component of the Convertible Note as at 30 November 2016 for the purpose of preparation of the Unaudited Pro Forma Financial Information. The fair value of the liability component as appraised by JLL is approximately HK$169,597,000, which was determined after considering the terms and conditions of the Convertible Note.

   The fair value of the liability component as at the date of Completion may be different from the value used in the Unaudited Pro Forma Financial Information.

6. Pursuant to the Acquisition Agreement, the Consideration will be subject to the Cash Adjustment, which will be equivalent to the net amount of the Other Assets and Liabilities of the Target Company at the date of Completion.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Cash Adjustment was based on the net amount of the Other Assets and Liabilities of the Target Company as at 16 December 2016.

Cash adjustment to be settled by the Seller

	HK$'000
Deferred taxation assets	19
Other receivables	198
Cash and bank balances	32,653
Less: Estimated additional costs required for completion of the Property Enhancement Project	(28,068)
Other payables	(4,248)
Taxation payables	(664)
Cash adjustment to be settled by the Seller	(110)

Since the amount of Other Assets and Liabilities of the Target Company at the date of Completion may be different from the value used above, the final amount of the Cash Adjustment may be different from the amount presented above.

7. The adjustment is made to reflect the accrual for the estimated transaction costs, such as professional fees and printing costs, of approximately HK$5,000,000 that are directly attributable to the Acquisition.

8. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

pwc 羅兵咸永道

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

To the Directors of Midland IC&I Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Midland IC&I Limited (the "Company") and its subsidiaries (collectively the "Group"), and Most Wealth (Hong Kong) Limited (the "Target Company") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2016 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-4 of the Company's circular dated 17 February 2017, in connection with the proposed acquisition of the Target Company (the "Acquisition") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 June 2016 as if the Acquisition had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the period ended 30 June 2016, on which a review report has been issued.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 June 2016 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 February 2017

1. WORKING CAPITAL

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

2. INDEBTEDNESS

The Group

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had outstanding bank loan of approximately HK$7.2 million, which was secured by the Group's investment properties with a net carrying value of approximately HK$59.5 million as at 30 June 2016.

The Target Company

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Target Company did not have any outstanding indebtedness.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 December 2016, the Enlarged Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The principal activities of the Group are provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong. Looking ahead, the overall business environment of the Group's property agency business appears to remain challenging due to the cool-down policies on non-residential properties introduced by the Hong Kong Government in early 2013 and the lacklustre local and global economic performance.

As stated in the Company's interim reports for the six months ended 30 June 2015 and 30 June 2016, the Group will proactively explore new business initiatives with particular focus on opportunities related to or those which may create synergies with the existing principal activities of the Group; and will pursue diversified investment strategies with objectives to create value for the Group and enhance shareholders' return.

The Acquisition represents an expansion of the Group's existing business activities. Upon completion of the Property Enhancement Project, the serviced apartments and the shops in the Property will be let out for rental income. The Acquisition will not only provide an additional and stable rental income to the Group but will also broaden the income source and avoid total reliance on the volatile agency fee income. In addition, the Group may also enjoy the possible capital appreciation of the Property.

The financial position of the Enlarged Group remains solid and healthy. The Consideration will be settled by way of Consideration Shares and Convertible Note, which will not require immediate cash outlay and will therefore conserve the cash resources of the Enlarged Group. If the Convertible Note is converted into the Conversion Shares, the Conversion Shares will expand the capital of the Company and further improve the financial position of the Enlarged Group.

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Limited, an independent valuer, in connection with its valuation as at 31 December 2016 of the Property.

仲量聯行

Jones Lang LaSalle Limited
Valuation Advisory Services
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2968 0078
Company Licence No.: C-003464

仲量聯行有限公司
物業估價部
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牌照號碼 C-003464

ISO 9001 : 2008
Certificate No.: CC 568

Our Ref: 2/16/00236
DC/KEL/KIC/yf

17 February 2017

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

Dear Sirs,

Re: Valuation of Nos. 33 & 35 Java Road, North Point, Hong Kong (Inland Lot Nos. 6828 and 6829)

We refer to the instructions from Midland IC&I Limited ("the Company") for us to carry out market valuation of the property interest of **Nos. 33 & 35 Java Road, North Point, Hong Kong (Inland Lot Nos. 6828 and 6829)** ("the Property") on the assumption that the proposed renovation had been completed (i.e. the estimated gross development value) as at 31 December 2016 ("the date of valuation") for public disclosure purposes.

The existing 13-storey (including cockloft) composite building is being renovated to a serviced apartment block with retail space on the ground floor and cockloft. According to the information provided by the Company, totally 40 guestrooms, including a duplex unit, will be provided upon completion of the renovation works and the estimated cost to complete the renovation works is about HK$59 million.

The estimated gross development value is the aggregate capital value of the Property assuming completion of renovation as at the date of valuation at prevailing price. We are instructed to assess the gross development value of the Property as an operational serviced apartment block with the fixtures, fittings, furniture and equipment essential for its operation provided therein. We have also been advised by the Company that the flats in the service apartment portions will be leased on monthly basis.

We confirm that we have carried out inspection of the Property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the estimated gross development value of the unencumbered leasehold property interest as at the date of valuation.

1.0 INTRODUCTION

1.1 Basis of Valuation

Unless otherwise stated, our valuation has been prepared in accordance with the "HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors ("HKIS"), the "International Valuation Standards" published by the International Valuation Standards Council ("IVSC") and the "RICS Valuation – Professional Standards 2014" published by the Royal Institution of Chartered Surveyors ("RICS") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards. We have also complied with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Code on Takeover and Mergers.

Our assessment of the estimated gross development value of the proposed service apartment block is made on the basis of the 'Market Value' as defined by IVSC and adopted by HKIS and RICS, set out as:

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

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9001:2008 and our report prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation, a copy of which is attached in Appendix No.1.

1.2 Valuation Assumptions

We have valued the Property as a single property interest and have ignored the potential effect of selling the Property on a strata title basis.

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

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

For the purpose of our valuation, we have also made the specific assumptions:

- The Property has been renovated to a serviced apartment block and completed according to the approved additions and alteration plans provided.
- The serviced apartment block has been finished to a standard comparable to that of the other newly built serviced apartment in the vicinity and comparable locations.
- Fittings, fixtures and furniture have been provided within each of the serviced apartment units.
- Valid licence(s) and permit(s) have been obtained for the operation of the serviced apartment portions, if so required.

1.3 Valuation Methodologies

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

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transferred their legal ownership. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration.

The income capitalization method is based on the capitalization of the net income potential by adopting appropriate capitalization rate, which is derived from analysis of sale transactions and our interpretation of prevailing investor requirements or expectations. The market rents adopted in our valuation have reference to lettings of comparable premises.

1.4 Source of Information

We have relied to a very considerable extent on the information provided by the Company including a copy of the additions and alterations plans approved on 19 October 2016 ("A&A Plans") of the Property, the estimated renovation costs and the expected completion date of the renovation works. We have also relied upon the information available from the Land Registry and the Buildings Department, and have accepted advice given to us on matters such as statutory notices, planning approvals, easements, tenure and particulars of occupancy. We have assumed that all information provided to us is correct.

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

We have not carried out on site measurements of the Property at the time of inspection to verify the correctness of the floor areas. The dimensions, measurements and areas included in the report are based on information contained in copies of documents provided to us and are therefore only approximations for reference purposes.

1.5 Measurements

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

1.6 Title Investigation

We have not been provided with copies of the title documents relating to the Property, but we have caused searches to be made at the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only.

1.7 Property Inspection

We inspected the Property and its surrounding locality on 2 December 2016. The inspection was conducted by Ms. Dorothy Chow, MHKIS, MRICS & RPS(GP), Regional Director, Mr. Ken Lam, MHKIS, MRICS & RPS(GP), National Director and Ms. Kitty Chan, MRICS, Manager of Valuation Advisory Services of Jones Lang LaSalle Limited. In the capacity as an external valuer, we have not conducted formal site and structural surveys and, as such we cannot report that the Property is free from rot, infestation or any other structural defects. We have not carried out building survey, nor have we inspected those parts of the Property which is covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of the parts we had not inspected and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services within the Property.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the Property, or have since been incorporated, and we are therefore unable to report that the Property is free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

1.8 Site Investigation

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

In the course of our valuation, we have assumed that no contamination affecting the Property or neighboring lands. However, should it be established subsequently that contamination exists at the Property or on any neighboring lands, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the value reported herein.

1.9 Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. For the valuation of the Property as a fully equipped serviced apartment block, we have assumed that the fixtures, fittings, furniture and equipment essential for its operation have been provided therein.

1.10 Report

Our valuation certificate is attached hereto.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited
Dorothy Y.Y. Chow
BSc(Hons), MSc, MHKIS, MRICS, RPS(GP)
Regional Director
Licence No.: E-182969

Note: Ms. Dorothy Y.Y. Chow, MHKIS MRICS RPS(GP), is a qualified general practice surveyor and has 18 years of experience in the valuation of properties in Hong Kong.

2.0 VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Estimated Gross Development Value as at 31 December 2016
Nos. 33 & 35 Java Road, North Point, Hong Kong Inland Lot Nos. 6828 and 6829 (IL6828 and IL6829) ("the Lots")	The Property is located at Nos. 33 and 35 Java Road, Hong Kong. It is situated in the North Point district which is a long-established traditional residential area on Hong Kong Island with predominantly medium and high-rise apartment buildings and composite buildings with retail elements at lower floors. Accessibility to the Property is convenient. Public transportation including MTR, buses, public light buses, trams and taxis are readily available along King's Road and Java Road. The nearest MTR Station is located about 400 metres to the Property. The Property comprises a 13-storey (including cockloft) residential-cum-retail building completed in 1966 of reinforced concrete construction. The building was undergoing renovation to a serviced apartment block. Upon completion of the renovation, the Ground Floor will accommodate a lift lobby with 2 lifts and 2 shops facing Java Road. There are 2 cockloft units. The shop at No. 33 Java Road is connected to the cockloft above. 40 serviced apartment units, including a duplex unit, will be provided on the 1st to 11th Floors. Fixtures, fittings and furniture will be provided within each apartment unit. The vertical movement within the building will be facilitated by two lifts and two staircases.	The property was undergoing renovation as at the date of valuation and is expected to be used as service apartments and shops on or before 30 June 2017.	HK$415,000,000 (HONG KONG DOLLARS FOUR HUNDRED AND FIFTEEN MILLION)

Property	Description and Tenure	Particulars of Occupancy	Estimated Gross Development Value as at 31 December 2016

As measured from the A&A Plans, the approximate saleable floor areas of the Property are as follows:

Portion(s)	Saleable Floor Area (approx.) (*Note 6*) *ft²*	*m²*
G/F	1,740	161.65
Cockloft	1,471	136.66
1/F – 11/F	15,023	1,395.67
Total	**18,234**	**1,693.98**

The total registered site area of IL6828 and IL6829 is approximately 2,450ft^2 (227.61m^2).

The Lots are held under the respective Government Leases of IL6828 and IL6829 for common terms of 75 years from 5 September 1921 renewed for another terms of 75 years. The aggregate Government rent payable for the Lots is HK$107,064 per annum.

Notes:

(1) The estimated gross development value is the aggregate capital value of the Property assuming completion of renovation as at the date of valuation at prevailing price. We are instructed to assess the gross development value of the Property as an operational serviced apartment block with the fixtures, fittings, furniture and equipment essential for its operation provided therein. We have also been advised by the Company that the flats in the service apartment portions will be leased on monthly basis.

(2) The registered owner of the Property is Most Wealth (Hong Kong) Limited.

(3) The following major encumbrances were registered against the Property upon our recent search of the records at the Land Registry:

- Legal Charge dated 29 January 2013 in favour of Wing Hang Bank Limited for all monies vide Memorial No. 13022201930102.

- Notice No. WNZ/U10-05/0001/08 issued by the Building Authority under Section 24C(1) of the Buildings Ordinance dated 6 April 2009 vide Memorial No. 10100601010047 (Re: IL6828).

- Notice No. WNZ/U10-05/0004/08 issued by the Building Authority under Section 24C(1) of the Buildings Ordinance dated 6 April 2009 vide Memorial No. 10100601010039 (Re: IL6829).

- Receipt on Discharge of a Charge dated 24 January 2017 vide Memorial No. 17020302230150 (pending registration).

(4) The Property falls within Hong Kong Planning Area No. 8 and is zoned under Draft North Point Outline Zoning Plan No. S/H8/25 exhibited on 5 August 2016 for "Residential (Group A)" purposes.

(5) The use and development of the Lots are governed by their respective Government Leases which are virtually unrestricted except offensive trades. Our assessment of the gross development value of the Property is made on the assumption that valid licence(s) and permit(s) have been obtained for the operation of the proposed serviced apartment, if so required.

(6) Saleable area is defined as the floor area exclusively allocated to the unit including balconies, utility platforms and other similar features but excluding common areas such as stairs, lift shafts, pipe ducts, lobbies and communal toilets. It is measured to the exterior face of the external walls and walls onto common parts or the centre of party walls. Open yards, bay windows, air-conditioning plant rooms, flower boxes, open terraces, attached roofs and carports are excluded.

Appendix No. 1

General Principles of Valuation

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

This document sets out the terms of engagement for our valuation services. They apply unless we have specifically mentioned otherwise in the service agreement or in the body of the Reports. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, where appropriate. Any variations to these terms of engagement must be confirmed in writing.

Our Valuations and Reports are confidential to, and for the use only of, the party to whom they are addressed and for the stated specific purpose. No responsibility whatsoever is accepted to any third parties who may use or rely on the whole or any part of the contents of any such Valuation or Report.

1. Valuation Methodology:

All work is carried out in accordance with the "HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors ("HKIS"), the "International Valuation Standards" published by the International Valuation Standards Council ("IVSC") and the "RICS Valuation – Professional Standards 2014" published by the Royal Institution of Chartered Surveyors ("RICS") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

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

2. Valuation Basis:

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

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

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

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

3. Costs:

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

4. Source of Information:

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

5. Assumptions:

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Tenants:

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

7. Measurements:

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

8. Jurisdiction:

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

****

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and the Target 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. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after allotment and issue of the Consideration Shares and the Conversion Shares at the initial conversion price (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares and Conversion Shares since the Latest Practicable Date up to Completion):

(a) as at the Latest Practicable Date:

Authorised:		*HK$*
50,000,000,000	Shares at HK$0.01	500,000,000.00
Issued and fully paid:		
13,705,000,000	Shares	137,050,000.00

(b) immediately after allotment and issue of the Consideration Shares and the Conversion Shares:

Authorised:		*HK$*
50,000,000,000	Shares at HK$0.01	500,000,000.00
Issued and fully paid:		
13,705,000,000	Shares in issue as at the Latest Practicable Date	137,050,000.00
4,347,826,086	Consideration Shares to be allotted and issued upon Completion	43,478,260.86
4,347,826,086	Conversion Shares to be allotted and issued upon full conversion of the Convertible Note	43,478,260.86
22,400,652,172	Shares	224,006,521.72

All the existing Shares in issue are fully paid and rank *pari passu* in all respects including all rights as to voting, dividends and interests in capital. The Consideration Shares to be issued upon Completion and the Conversion Shares to be issued upon conversion of the Convertible Note will rank *pari passu* in all respects with all other Shares in issue as at the date of relevant issue and be entitled to all dividends and other distributions at the record date for which falls on or after the date of relevant issue.

As at the Latest Practicable Date, there were 125,000,000 outstanding share options exercisable at the exercise price of HK$0.044 per Share with exercisable period from 15 December 2014 to 14 December 2019, which entitled the holders to acquire a total of 125,000,000 Shares upon full conversion. As at the Latest Practicable Date, save as disclosed above, the Company did not have any outstanding warrants, options or securities convertible into Shares.

3. DISCLOSURE OF INTERESTS

3.1 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 and its associated corporations (within the meaning of Part XV of the SFO) were as follows:

(a) Long positions in the Shares and underlying Shares

Name of Director	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued shares of the Company
Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	5,276,976,806 *(Note 1)*	4,347,826,086 *(Note 2)*	9,624,802,892	70.23%
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	20,000,000	15,000,000 *(Note 3)*	35,000,000	0.26%
Mr. YING Wing Cheung, William	Personal interest/ Beneficial owner	3,000,000	–	3,000,000	0.02%

Notes:

1. These shares represent (i) 929,150,720 Shares held directly or indirectly by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), the spouse of Ms. TANG Mei Lai, Metty ("Ms. TANG") and (ii) 4,347,826,086 unissued Consideration Shares in which Mr. WONG is taken to be interested by virtue of the Acquisition Agreement.

2. These underlying shares represent the 4,347,826,086 unissued Conversion Shares in which Mr. WONG is deemed to be interested by virtue of the Convertible Note to be issued to him under the Acquisition Agreement.

3. These underlying Shares were held by Mr. WONG Hon Shing, Daniel by virtue of the interests in the share options of the Company granted to him.

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

Name of associated corporation	Name of Director	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued shares of associated corporation
Midland Holdings	Ms. TANG Mei Lai, Metty	Family interest/ Interest of spouse	185,830,144 *(Note 4)*	7,209,160 *(Note 5)*	193,039,304	26.88%
		Personal interest/ Beneficial owner	–	7,209,160 *(Note 6)*	7,209,160	1.00%
Midland Holdings	Ms. WONG Ching Yi, Angela	Personal interest/ Beneficial owner	–	7,209,160 *(Note 7)*	7,209,160	1.00%

Notes:

4. These shares represent the shares held directly or indirectly by Mr. WONG, the spouse of Ms. TANG, as ultimate beneficial owner in the shares of Midland Holdings, the associated corporation of the Company.

5. These underlying shares represent the interests in the share options of Midland Holdings held by Mr. WONG, the spouse of Ms. TANG, by virtue of the interests in the share options of Midland Holdings granted to him.

6. These underlying shares were held by Ms. TANG by virtue of the interests in the share options of Midland Holdings granted to her.

7. These underlying shares were held by Ms. WONG Ching Yi, Angela ("Ms. WONG") by virtue of the interests in the share options of Midland Holdings granted to her.

8. Ms. TANG and Ms. WONG are executive directors of Midland Holdings.

(c) 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 of the Listing Rules, to be notified to the Company and the Stock Exchange.

3.2 Other interests

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

(b) The Company entered into the Acquisition Agreement with the Seller, who is the spouse of Ms. TANG and the father of Ms. WONG, the terms of which are set out in the "Letter from the Board" of this circular.

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

Save as disclosed in section 3.2 above:

(a) as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2015 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

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

5. SERVICE CONTRACTS

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

6. COMPETING INTERESTS

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

7. MATERIAL CHANGE

The Board announced on 6 December 2016 that based on a preliminary review of the unaudited consolidated management accounts of the Group and other information currently available to the Group, the Group recorded a consolidated net profit of approximately HK$15 million for the eleven months ended 30 November 2016 and the Group anticipated that the consolidated net profit for the year ending 31 December 2016 would increase as compared to the consolidated net profit of approximately HK$2 million for the year ended 31 December 2015. Further details of the above positive profit alert is set out in the announcement of the Company dated 6 December 2016.

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 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. EXPERTS AND CONSENTS

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

Name	Qualification
Altus	A licensed corporation to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Jones Lang LaSalle Limited (“**JLL**”)	Professional property valuer
PricewaterhouseCoopers (“**PwC**”)	Certified Public Accountants

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

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

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

(b) did not have any direct or indirect interest in any assets which had been, since 31 December 2015 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL CONTRACTS

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

(a) the Acquisition Agreement;

(b) the cross referral services agreement dated 16 December 2015 entered into between the Company and Midland Holdings in relation to the cross referral services to be provided between the Group and Midland Holdings and its subsidiaries (but excluding the Group for the purpose of that cross referral service agreement, the "**Midland Holdings Group**"), which provides that Midland Holdings 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; similarly, the Group also has the right (but not obligation) to introduce, refer and communicate to the relevant member(s) of Midland Holdings Group any business opportunity relating to or falling within Midland Holdings Group's estate agency business in respect of residential properties in the relevant territory; and

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

10. LITIGATION

As disclosed in the interim report of the Company for the period ended 30 June 2016, the Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic benefits is probable.

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

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

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours from 9:30 a.m. to 5:00 p.m. (other than Saturdays, Sundays, and public holidays) at the principal place of business of the Company at Rooms 2505–8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong; and (ii) on the Company's website (at www.midlandici.com.hk), from 17 February 2017 up to and including the date of the EGM on 6 March 2017:

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

(b) the annual reports of the Company for the two financial years ended 31 December 2014 and 2015;

(c) the interim report of the Company for the six months ended 30 June 2016;

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

(e) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

(f) the letter of advice from Altus to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from Altus" of this circular;

(g) the accountant's report on the Target Company, the text of which are set out in Appendix II to this circular;

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

(i) the valuation report on the Property prepared by JLL, the text of which is set out in Appendix VI to this circular;

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

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

(l) the circular of the Company dated 11 March 2016 with respect to new annual caps for the cross referral services agreement dated 16 December 2015 mentioned in the paragraph headed "Material contracts" in this appendix.

12. MISCELLANEOUS

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

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

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

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

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

Midland IC&I Limited
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 459)

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 6 March 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution of the Company:

"THAT:

(a) approval be and is hereby granted to the Company entering into the sale and purchase agreement dated 10 January 2017 (the "Acquisition Agreement", a copy of which has been produced to the meeting marked "A" and initialed by the Chairman of the meeting for the purpose of identification) between Wong Kin Yip, Freddie (the "Seller") as seller and Beyond Summit Investments Limited (the "Purchaser") as purchaser and the Company as guarantor of the Purchaser, under which the Purchaser shall purchase (or procure a wholly-owned subsidiary of the Company) to purchase the entire issued shares of Most Wealth (Hong Kong) Limited on the terms and subject to the conditions therein as disclosed in the circular of the Company dated 17 February 2017 ("Circular") and the performance of all the transactions contemplated under the Acquisition Agreement, including without limitation:

(i) the allotment and issue of the Consideration Shares (as defined in the Circular);

(ii) the issue of the Convertible Note (as defined in the Circular); and

(iii) upon conversion of the Convertible Note in accordance with the conditions therein, the allotment and issue of the Conversion Shares (as defined in the Circular),

to the Seller or other person entitled to the same pursuant to the terms of the Acquisition Agreement; and

(b) the directors of the Company (the "Directors") be and are hereby authorised to sign and execute all such further documents and to take all such actions and steps as the Directors may in their absolute discretion consider necessary, appropriate,

* *For identification purpose only*

desirable or expedient to implement and/or give full effect to or in connection with the Acquisition Agreement and the transactions contemplated thereunder."

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

Hong Kong, 17 February 2017

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. All votes at the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

3. A proxy form for the Meeting is enclosed with this circular. 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 printed thereon.

4. The completed proxy form together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Delivery 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 registered holders of a share of the Company, any one of such holders may vote at the Meeting either in person or by proxy in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting in person or by proxy, that one of the said holders so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.

6. The register of members of the Company will be closed on 6 March 2017, on which 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 March 2017.