

**CODE FOR
SECURITIES TRANSACTIONS
BY DIRECTORS OF
MIDLAND HOLDINGS LIMITED**

COMPANY SECRETARIAL DEPARTMENT

*January 2007
(Updated on March 2009)*

SUMMARY OF THIS CODE

DO NOT DEAL :

- ▶ *When you are aware of price-sensitive information.*
- ▶ *During 60 days period immediately preceding the publication date of the annual results of Midland or Midland IC&I.*
- ▶ *During 30 days period immediately preceding the publication date of the interim results of Midland or Midland IC&I.*

WHEN YOU CAN DEAL, follow these procedures:

- ▶ *Notify the Chairman or the designated Director and obtain a dated written acknowledgement;*
- ▶ *Deal within 5 business days of a dated written acknowledgement / clearance being received; and*
- ▶ *Within 3 days (including Saturday but excluding Sunday and public holidays) of dealing, notify Stock Exchange and Midland.*

These rules relate to dealings by directors in the securities of Midland Holdings Limited ("Midland") and of Midland IC&I Limited ("Midland IC&I").

BASIC PRINCIPLES

1. This code (both the basic principles and the rules) is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 of the Listing Rules. The Model Code sets a required standard against which directors must measure their conduct regarding transactions in securities of Midland and/or Midland IC&I. Any breach of such required standard may be regarded as a breach of the Listing Rules. A director must seek to secure that all dealings in which he is or is deemed to be interested be conducted in accordance with this code.
2. Directors wishing to deal in any securities in Midland and/or Midland IC&I must first have regard to the provisions of Parts XIII and XIV of the Securities and Futures Ordinance ("the SFO") with respect to insider dealing and market misconduct. It should be noted that there are occasions where directors should not be free to deal in Midland's and/or Midland IC&I's securities even though the statutory requirements will not be contravened.

3. Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions or connected transactions under the Listing Rules or any price-sensitive information must refrain from dealing in Midland's and/or Midland IC&I's (as the case may be) securities as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the Listing Rules. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in Midland's and/or Midland IC&I's securities for a similar period. For more details about price-sensitive information, please go to <http://www.hkex.com.hk/rule/psguide/full-e.pdf> for reference.
4. In addition, a director must not make any unauthorised disclosure of confidential information, whether to co-trustees or to any other person (even those to whom he owes a fiduciary duty) or make any use of such information for the advantage of himself or others.

Interpretation :

For the purpose of this code:

- “director” : include board members and alternate director (if any) named / to be named in Midland's annual report;
- “dealings in securities” : include dealings in warrants (including covered warrants issued by third parties and short positions) issued in respect of the securities. For the avoidance of doubt, any transfer of shares will be regarded as a deal including off-market transactions;
- “dealing” : includes, subject to paragraph (a) below, any acquisition, disposal or transfer of, or offer to acquire, dispose of or transfer, or creation of pledge, charge or any other security interest in, any securities of Midland and/or Midland IC&I or any entity whose assets solely or substantially comprise securities of Midland and/or Midland IC&I, and the grant, acceptance, acquisition, disposal, transfer, exercise or discharge of any option (whether call, put or both) or other right or obligation, present or future, conditional or unconditional, to acquire, dispose of or transfer securities, or any interest in securities, of Midland and/or Midland IC&I, in each case whether or not for consideration and any agreements to do any of the foregoing, and "deal" shall be construed accordingly;

- “beneficiary” : includes any discretionary object of a discretionary trust (where the director is aware of the arrangement) and any beneficiary of a non-discretionary trust;
- “securities” : means listed securities and any unlisted securities that are convertible or exchangeable into listed securities and structured products (including derivative warrants issued by a third party) issued in respect of the listed securities of Midland and/or Midland IC&I;
- (a) Notwithstanding the definition of "dealing" above, the following dealings are not subject to the provisions of this code:
- i. taking up of entitlements under a rights issue, bonus issue, capitalisation issue or other offer made by Midland or Midland IC&I to holders of its securities (including an offer of shares in lieu of a cash dividend) but, for the avoidance of doubt, applying for excess shares in a rights issue or applying for shares in excess of an assured allotment in an open offer is a "dealing";
 - ii. allowing entitlements to lapse under a rights issue or other offer made by Midland or Midland IC&I to holders of its securities (including an offer of shares in lieu of a cash dividend); and
 - iii. undertakings to accept, or the acceptance of, a general offer for shares in Midland or Midland IC&I made to shareholders other than those that are concert parties (as defined under the Takeovers Code) of the offeror.

RULES

A. ABSOLUTE PROHIBITIONS

1. A director must not deal in any of the securities of Midland and/or Midland IC&I at any time when he is in possession of unpublished price-sensitive information in relation to those securities, or where clearance to deal is not otherwise conferred upon him under rule B.9 of this code.
2. A director must not deal in the securities of a listed issuer when by virtue of his position as a director of another listed issuer, he is in possession of unpublished price-sensitive information in relation to those securities.
3. A director must not deal in any securities of Midland and/or Midland IC&I on any day on which its financial results are published and:-

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in section C below. In any event, the director must comply with the procedure in rules B.9 of this code.

Notes:

- i The above prohibition period is referred to as “the black-out period”.*
- ii Directors should note that the black-out period will cover any period of delay in the publication of a results announcement.*

- 4. Where a director is a sole trustee, the provisions of this code will apply to all dealings of the trust as if he were dealing on his own account (unless the director is a bare trustee and neither he nor any of his associates is a beneficiary of the trust, in which case the provisions of this code will not apply).
- 5. Where a director deals in the securities of a listed issuer in his capacity as a co-trustee and he has not participated in or influenced the decision to deal in the securities and is not, and none of his associates is, a beneficiary of the trust, dealings by the trust will not be regarded as his dealings.
- 6. The restrictions on dealings by a director contained in this code will be regarded as equally applicable to any dealings by (1) the director's spouse or by or on behalf of any child under the age of 18 years (natural or adopted); (2) any company in which, the director or his/her close family member(s), hold 30% or above interests; and (3) any other dealings in which for the purposes of the SFO he is or is to be treated as interested. It is the duty of the director, therefore, to seek to avoid any such dealing at a time when he himself is not free to deal.
- 7. When a director places investment funds comprising securities of Midland and/or Midland IC&I under professional management, discretionary or otherwise, the managers must nonetheless be made subject to the same restrictions and procedures as the director himself in respect of any proposed dealings in Midland's and/or Midland IC&I's securities.

8. The directors must as a board and individually endeavour to ensure that any employee of Midland or director or employee of a subsidiary company who, because of his office or employment in Midland or a subsidiary, is likely to be in possession of unpublished price-sensitive information in relation to the securities of any listed issuer does not deal in those securities at a time when he would be prohibited from dealing by this code if he were a director.

B. NOTIFICATION

9. A director must not deal in any securities of Midland and/or Midland IC&I without first notifying in writing the Chairman or the designated Director and receiving a dated written acknowledgement. In his or her own case, the Chairman must first notify the designated Director before any dealing.
10. A written record is maintained by the Company Secretarial Department that the appropriate notification was given and acknowledged pursuant to rule B.9 of this code.
11. Any director of Midland who acts as trustee of a trust must ensure that his co-trustees are aware of the identity of any company of which he is a director so as to enable them to anticipate possible difficulties. A director having funds under management must likewise advise the investment manager.
12. Any director who is a beneficiary, but not a trustee, of a trust which deals in securities of Midland and/or Midland IC&I must endeavour to ensure that the trustees notify him after they have dealt in such securities on behalf of the trust, in order that he in turn may notify Midland. For this purpose, he must ensure that the trustees are aware of the listed issuers of which he is a director.
13. A director must deal in any securities of Midland and/or Midland IC&I within five business days of a dated written acknowledgement / clearance being received for his or her dealing notification.
14. **Within three days (excluding Sunday and public holidays, but including Saturday) of acquiring or disposing of an interest in any securities of Midland and/or Midland IC&I or in any warrants to subscribe for those securities, a director must notify the Stock Exchange and Midland. The notification should be sent to the Stock Exchange and Midland at the same time. Prescribed forms for giving such notice may be obtained from Company Secretarial Department or downloaded from the website of the Securities and Futures Commission at www.hksfc.org.hk.**
15. The register of directors' and chief executive's interests and short positions maintained in accordance with Section 352 of the SFO will be made available for inspection by the board upon request by a director.

C. EXCEPTIONAL CIRCUMSTANCES

16. If a director proposes to sell or otherwise dispose of securities of Midland and/or Midland IC&I under exceptional circumstances where the sale or disposal is otherwise prohibited under the Model Code, the director must, in addition to complying with the other provisions of this code, comply with the provisions of rule B.9 of this code regarding prior written notice and acknowledgement. The director must satisfy the Chairman (in the case of the Chairman himself, the Audit Committee) that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the director before the director can sell or dispose of the securities. An example of the type of circumstances which may be considered exceptional for such purposes would be a pressing financial commitment on the part of the director that cannot otherwise be satisfied.
17. Midland has to give written notice of such sale or disposal to the Stock Exchange as soon as practicable stating why it considered the circumstances to be exceptional. It is also required to publish an announcement immediately after any such sale or disposal and state that the Chairman or Chairman of the Audit Committee is satisfied that there were exceptional circumstances for such sale or disposal of securities by the director.

D. DISCLOSURE

18. In relation to securities transactions by directors, Midland is required to disclose in its annual and interim reports:
 - (a) whether Midland has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code;
 - (b) having made specific enquiry of all directors, whether its directors have complied with, or whether there has been any non-compliance with, the required standard set out in the Model Code and in this code; and
 - (c) in the event of any non-compliance with the required standard set out in the Model Code, details of such non-compliance and an explanation of the remedial steps taken by Midland to address such non-compliance.

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