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**HONG KONG INTERNATIONAL CONSTRUCTION
INVESTMENT MANAGEMENT GROUP CO., LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE ACQUISITION OF LAND USE RIGHT
IN HONG KONG**

Financial Adviser to the Company



HONG KONG INTERNATIONAL CAPITAL MANAGEMENT LIMITED

28 April 2017

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DEFINITIONS

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

“2015 General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting held on 7 August 2015 to issue and allot up to 174,933,180 new Shares, representing 20% of the number of Shares in issue as at the date of passing of the relevant resolution
“2016 General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting held on 23 August 2016 to issue and allot up to 174,933,180 new Shares, representing 20% of the number of Shares in issue as at the date of passing of the relevant resolution
“6563 Land Parcel”	the piece of land parcel known as New Kowloon Inland Lot No. 6563, on Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong with a total site area of approximately 9,482 square metres
“6564 Land Parcel”	the piece of land parcel known as New Kowloon Inland Lot No. 6564, on Kai Tak Area 1L Site 1, Kai Tak, Kowloon, Hong Kong with a total site area of approximately 7,318 square metres
“Acquisition”	the acquisition of the land use right over the 6563 Land Parcel as contemplated under the Memorandum of Agreement
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Hong Kong International Construction Investment Management Group Co., Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Consideration”	the land premium payable for the 6563 Land Parcel of HK\$7,440,500,000
“Controlling Shareholder” or “HNA Finance I”	means HNA Finance I Co., Ltd., a company incorporated in Anguilla with limited liability and a wholly-owned subsidiary of HNA Group Co., Ltd., which, as at the Latest Practicable Date, holds 755,862,228 Shares, representing approximately 66.64% of the issued Shares

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Director of Lands”	the Director of Lands of the Lands Department of the HK Government
“Fortunate Pool”	Fortunate Pool Limited (祥澤有限公司), a company incorporated in Hong Kong with limited liability which is wholly-owned by Mr. Fung
“Foundation Sale Shares”	in aggregate, 40 issued shares of TFHK, representing in aggregate 40% of the issued shares of TFHK
“Foundation SPA”	the sale and purchase agreement dated 19 April 2016 entered into among the Company as purchaser, Fortunate Pool as vendor and Mr. Fung as guarantor in relation to the sale by Fortunate Pool and purchase by the Company of the Foundation Sale Shares
“Foundation Transaction”	the sale and purchase of the Foundation Sale Shares pursuant and subject to the terms and conditions of the Foundation SPA; phase 1 of which, relating to the sale and purchase of 35 issued shares of TFHK (representing 35% of the issued shares of TFHK), was completed on 4 July 2016; phase 2 of which, relating to the sale and purchase of 5 issued shares of TFHK (representing 5% of the issued shares of TFHK), has not yet completed as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“HK Government”	the government of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	26 April 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information included in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum of Agreement”	the memorandum of agreement entered into between Milway and the HK Government for the acquisition of land use right over the 6563 Land Parcel
“Milway”	Milway Development Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company

DEFINITIONS

“Milway Shareholder’s Loans”	interest free, unsecured loans from HNA Finance I in the principal amounts of HK\$2,700 million and HK\$3,700 million pursuant to the shareholder’s loan agreements entered into among the Company as borrower and HNA Finance I as lender on 5 April 2017 and 7 April 2017 respectively, to finance part of the Acquisition and each of which has an initial maturity date of one year with an option available to the Company to extend for another year , which were drawn by the Company on the same day of the relevant shareholder’s loan agreements
“Mr. Fung”	Mr. Fung Chiu Chak, Victor, the vice chairman, chief executive officer, managing Director and an executive Director of the Company
“PRC”	The People’s Republic of China
“Rights Issue”	the proposed issue by way of rights on the basis of two (2) Rights Shares for every one (1) Share held on the relevant record date at the subscription price of HK\$4.08 per Rights Share as disclosed in the Company’s announcement dated 28 March 2017
“Right Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue, being 2,268,331,806 new Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tender”	the tender bid for the acquisition of the 6563 Land Parcel submitted by Milway
“TFHK”	Tysan Foundation (Hong Kong) Limited, a private limited company incorporated in Hong Kong and a subsidiary of the Company, owned as to 95% by the Company and as to 5% by Fortunate Pool as at the Latest Practicable Date
“Tides Holdings II”	Tides Holdings II Ltd., a company incorporated in the British Virgin Islands

DEFINITIONS

“Tides Sale Shares”	577,279,496 Shares, representing approximately 66% of the issued Shares immediately before completion of the Tides SPA
“Tides SPA”	the sale and purchase agreement dated 19 April 2016 between HNA Finance I and Tides Holdings II in relation to the Tides Transaction
“Tides Transaction”	the sale and purchase of the Tides Sale Shares pursuant to the terms of the Tides SPA, which was completed on 30 June 2016
“Top Genius”	Top Genius Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Top Genius Acquisition”	the acquisition of the land use right over the 6564 Land Parcel by Top Genius as referred to in the Company’s announcements dated 7 February 2017 and 15 March 2017, and the Company’s circular dated 13 March 2017
“Top Genius Bank Loan”	an interest bearing bank loan in the principal amount of HK\$2,602 million from Shanghai Commercial Bank Limited, at an interest rate of the Hong Kong interbank offered rate plus 1.6%, with security provided by the Group, including a guarantee by the Company as guarantor, a share charge over all the issued shares of Top Genius, a mortgage over the 6564 Land Parcel and a fixed and floating charge over the assets of Top Genius, with a maturity date of one year, to finance part of the Top Genius Acquisition
“Top Genius Bank Loan Agreement”	the facility agreement dated 20 February 2017 entered into between, among others, Top Genius as borrower, the Company as guarantor, and Shanghai Commercial Bank Limited as lender in respect of the Top Genius Bank Loan
“Top Genius Shareholder’s Loan”	an interest free, unsecured loan from HNA Finance I in the principal amount of HK\$2,750 million pursuant to the shareholder’s loan agreement dated 20 February 2017 entered into among the Company as borrower and HNA Finance I as lender to finance part of the Top Genius Acquisition and which has an initial maturity date of one year with an option available to the Company to extend for another year, which was drawn by the Company on the same day of the shareholder’s loan agreement

DEFINITIONS

“%”

per cent

“*”

the English names of the PRC entities referred to in this circular are transliterated from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

LETTER FROM THE BOARD



HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

Executive Directors

Mr. ZHAO Quan (Chairman)
Mr. FUNG Chiu Chak, Victor
(Vice Chairman, Chief Executive Officer
and Managing Director)
Mr. LIU Junchun (Co-Vice Chairman)
Mr. CHIU Chin Hung
Mr. LAU Kin Fai
Mr. FAN Ning
Mr. MENG Yongtao
Mr. WONG Tai Lun Kenneth

Independent Non-executive Directors

Mr. FAN Chor Ho
Mr. TSE Man Bun
Mr. LUNG Chee Ming, George
Mr. LI Kit Chee

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*

20th Floor One Island South
No. 2 Heung Yip Road
Wong Chuk Hang
Hong Kong

28 April 2017

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

Reference is made to the Company's announcement dated 28 March 2017 in relation to the Acquisition of the 6563 Land Parcel from the HK Government by public tender.

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. The purpose of this circular is to provide you with further details of the Acquisition and the general information of the Group.

LETTER FROM THE BOARD

2. DETAILS OF THE ACQUISITION

On 28 March 2017, Milway signed the Memorandum of Agreement and delivered the same to the HK Government, pursuant to which Milway will acquire the land use right over the 6563 Land Parcel from the HK Government at the Consideration of HK\$7,440,500,000.

Parties

- (1) The HK Government, as the vendor of the 6563 Land Parcel and a third party independent of the Company and its connected persons; and
- (2) Milway, an indirectly wholly-owned subsidiary of the Company, as the tenderer of the 6563 Land Parcel

Information of the 6563 Land Parcel

Location:	New Kowloon Inland Lot No. 6563, Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong
Term of lease:	50 years commencing from the date of the Memorandum of Agreement
Site area:	Approximately 9,482 square metres
Minimum and maximum permissible developable gross floor area:	Approximately 30,722 square metres and 51,202 square metres, respectively
Maximum site coverage:	Not exceeding 40% of the area of the 6563 Land Parcel
Permitted use:	Private residential purposes
Completion Date:	The 6563 Land Parcel should be developed into building or buildings which shall be completed and made fit for occupation on or before 30 June 2022.
Assignment restriction:	The 6563 Land Parcel and the buildings erected thereon may only be assigned after compliance with the conditions of the conditions of sale of the 6563 Land Parcel to the satisfaction of the Director of Lands, unless prior written consent of the Director of Lands is obtained and any conditions imposed on the grant of consent have been satisfied.

LETTER FROM THE BOARD

Consideration and payment terms

The Consideration of HK\$7,440,500,000, for the acquisition of land use right of the 6563 Land Parcel was settled as follows:

- (a) the non-refundable deposit of HK\$25,000,000 paid together with the submission of the Tender by Milway was treated as a deposit towards and applied in partial payment of the Consideration; and
- (b) the remaining balance of HK\$7,415,500,000 was paid in one lump sum to the HK Government on 10 April 2017.

The Consideration, being the bid price submitted under the Tender was determined by the Directors with reference to the future business prospects and development potential in the region in which the 6563 Land Parcel is situated and the overall prospects of the property market in Hong Kong. Pursuant to the Memorandum of Agreement, an annual rent of an amount equal to 3% (as determined by the HK Government) of the rateable value from time to time of the 6563 Land Parcel will be charged to Milway for a term of fifty years commencing from the date of the Memorandum of Agreement. As Milway signed the Memorandum of Agreement on 28 March 2017 and paid the remaining balance of HK\$7,415,500,000 to the HK Government on 10 April 2017 in accordance with the terms of the Memorandum of Agreement, Milway will obtain possession of the 6563 Land Parcel from the HK Government and such possession is deemed to have been given to Milway from the date of the Memorandum of Agreement. There are no other conditions to be satisfied before Milway can obtain possession of the 6563 Land Parcel.

HK\$6,400 million of the Consideration payable by Milway was financed by the Milway Shareholder's Loans and the remaining balance was financed by the Group's internal resources raised from (i) the issue of new Shares under the 2015 General Mandate as to approximately HK\$697.6 million; and (ii) the issue of new Shares under the 2016 General Mandate as to approximately HK\$342.9 million. Please refer to the announcements of the Company dated 22 August 2016, 5 September 2016 and 9 September 2016 for further details.

As the Milway Shareholder's Loans are not secured by any assets of the Group and, being interest free, is on normal commercial terms or better, the grant of the Milway Shareholder's Loans from the Controlling Shareholder, although a connected transaction, is fully-exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules. The Company intends to apply approximately HK\$4,578 million, being part of the proceeds from the Rights Issue to repay part of the Milway Shareholder's Loans. The Company intends to repay the remaining portion of the Milway Shareholder's Loans by way of bank financing or the Company's surplus resources.

LETTER FROM THE BOARD

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group's principal business includes property development, foundation piling and site investigation in Hong Kong and property investment and management.

The Company had developed a residential and commercial property named "Fortune Court" situated at No. 8 Fuk Tsun Street, Kowloon, Hong Kong. The project was completed in 1996. After completion of that project, the Group shifted its focus to property development in major cities in the PRC, including Shanghai, Tianjin and Shenyang and completed five property development projects since then.

In order to capture potential business opportunities in Hong Kong and enhance the Group's long-term growth potential, the Company intends to build on its previous experience and diversify its business operations and seeks to expand its business to include more substantive project development in Hong Kong. With the rapid development of the property market in the PRC in the last two decades, many PRC developers have evolved and become very successful in property development and as such, the Board believes that Hong Kong developers have become less competitive in the PRC. Furthermore, if the depreciation of RMB continues, it may impair the revenue and profit of Hong Kong developers even if the business has not been affected by the slow-down of the PRC economy. As such, the Group has reconsidered its business strategies and future development plans in respect of the locations of its property projects.

Further, in view of the scarcity in the supply of land bank in Hong Kong, the growing demand for residential properties as evidenced by the recent sales of new residential developments in Kai Tak, Tsuen Wan and Yuen Long and surging property prices in Hong Kong as shown in the annual price indices by class published by the Rating and Valuation Department of the HK Government, the Board has confidence in the residential property market in Hong Kong.

The Acquisition of the 6563 Land Parcel is a continuation to include more substantive property development projects in Hong Kong, and given it is close to the 6564 Land Parcel for which the Group signed a memorandum of agreement on 7 February 2017, this will enhance the overall development potential of both land parcels. The aggregate site area for the 6563 Land Parcel and the 6564 Land Parcel is approximately 16,800 square metres and the total maximum permissible developable gross floor area is 90,719 square metres. The synchronized design of the two parcels of land will provide more flexibility for the Group's development projects in Kai Tak going forward. The Acquisition represents another significant step taken by the Group to strengthen its market position in the property development industry in Hong Kong and enhance its competitiveness in this sector. The Group intends to develop the 6563 Land Parcel and the 6564 Land Parcel into private residential properties. The Group has no current intention to develop the 6563 Land Parcel and the 6564 Land Parcel as one project.

In respect of development plans, it is the Group's plan to develop the 6563 Land Parcel in one phase with a total gross floor area of approximately 51,202 square metres and offer about 840 units. The expected completion date will be on or before 30 June 2022.

LETTER FROM THE BOARD

The Board is confident that the Company has the capability to manage the property development projects in Hong Kong given the relevant experience of the Company's senior management, including the following:-

- (a) Mr. Fung, Vice Chairman, Chief Executive Officer and Managing Director of the Company, has over 38 years' experience in the field of consulting engineering, construction management and property development. In addition to his experience in the construction of various public housing development projects in Hong Kong prior to joining the Group, Mr. Fung was involved in the acquisition, planning, property development, sales and marketing of Fortune Court, and all the property development projects of the Group in the PRC. He was also involved in the acquisition, planning and development of a private residential development in Hong Kong.
- (b) Mr. Chiu Chin Hung, Executive Director of the Company, has over 39 years' experience in foundation design and construction works. He is familiar with the property development environment in Hong Kong and through his career, he has formed and maintains very good relationships with various parties in the property development industry. Mr. Chiu, as an Executive Director of the Group, was also involved in overseeing and management of the Group's development projects, in particular on the technical issues in project management.
- (c) Mr. Lau Kin Fai, Executive Director of the Company, has over 33 years' experience in the field of quantity surveying and property development. Prior to joining the Group, he had worked in the Hong Kong Housing Society for 14 years. Mr. Lau is head of, and is primarily responsible for, the business development and management of the Group's property development division and led the Group's property development projects in the PRC. Since Mr. Lau joined the Group in 2008, Mr. Lau has been involved in the project management, sales and marketing and various aspect relating to construction and project management of The Waterfront, The Riverside and The Pinnacle. In addition, he was also in charge of the renovation of the Groups' investment properties in the PRC, China Garden and Aidu Apartments.

As disclosed in the Company's announcement dated 19 January 2017, the Group entered into a non-legally binding memorandum of understanding with Hongkong Island Construction Properties Co., Limited ("HIC") and Denco Properties Limited ("Denco"), both of which are non-wholly-owned subsidiaries of HNA Group Co., Ltd. to provide certain engineering and project management services in relation to the development of two pieces of land parcel situated at Kai Tak, which are close to the 6563 Land Parcel (the "Proposed Engagement"). As at the Latest Practicable Date, no formal agreement had been entered into among the relevant parties in respect of the Proposed Engagement but negotiation is ongoing. The Proposed Engagement is in relation to provision of engineering and project management services at a fee so no assets are expected to be recognised by the Group. As at the Latest Practicable Date, there was no plan for any joint development or arrangement with HIC and Denco in relation to the land parcels under the Proposed Engagement, the 6564 Land Parcel and the 6563 Land Parcel.

LETTER FROM THE BOARD

The average price per square foot of maximum gross floor areas of the 6563 Land Parcel, 6564 Land Parcel and certain neighbouring land parcels which were acquired within three years immediately before the Latest Practicable Date, based on the available information to the Group is set out below:

Date of acquisition	Land parcel	Average price per square foot of maximum gross floor areas (HK\$/sqf)
March 2017	6563 Land Parcel	13,500 ⁽¹⁾
January 2017	6564 Land Parcel:	13,000 ⁽¹⁾
December 2016	The land parcel known as New Kowloon Inland Lot No. 6566, on Kai Tak Area 1K Site 2, Kai Tak, Kowloon, Hong Kong	10,220 ⁽²⁾
December 2016	The land parcel known as New Kowloon Inland Lot No. 6562, on Kai Tak Area 1L Site 3, Kai Tak, Kowloon, Hong Kong	13,600 ⁽²⁾
November 2016	The land parcel known as New Kowloon Inland Lot No. 6565, on Kai Tak Area 1K Site 3, Kai Tak, Kowloon, Hong Kong	13,500 ⁽²⁾
May 2014	The land parcel known as New Kowloon Inland Lot No. 6541, on Kai Tak Area 1H Site 3, Kai Tak, Kowloon, Hong Kong	6,102 ⁽²⁾

Notes:

- (1) These are calculated by dividing the respective consideration payable under the memoranda of agreement for the Acquisition and the Top Genius Acquisition by the maximum gross floor areas of the 6563 Land Parcel and 6564 Land Parcel respectively.
- (2) These are calculated by dividing the respective consideration payable for the relevant land parcel by the maximum gross floor areas of the relevant land parcel.

The Directors consider that the terms of the Memorandum of Agreement are normal commercial terms, and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Consideration (and therefore the average price per square foot of the 6563 Land Parcel) was arrived at after taking into consideration various factors, including the future transportation network, neighbourhood and location of the 6563 Land Parcel, accessibility and proximity to the proposed Kai Tak MTR station, future business prospects and development potential of various sports and leisure infrastructure facilities to be built in the region in which the 6563 Land Parcel is situated and the overall prospects of the property market in Hong Kong. The Board has also considered the apartment sale price comparables in the vicinity, and it is confident that the proposed development will be able to yield reasonable return for the Group.

LETTER FROM THE BOARD

4. FINANCIAL EFFECTS OF THE ACQUISITION

The Directors consider that the Acquisition will not have any impact on the earnings until the land is developed, sold and delivered to buyers.

As the Acquisition was financed by the Group's internal resources and the Milway Shareholder's Loans, the assets of the Group would be increased by the amount of land premium but partially offset by the reduction of cash and bank balances representing the amount of internal resources used for financing the Acquisition while the liabilities would be increased by the amount of the Milway Shareholder's Loans accordingly.

The total capital expenditure for developing the 6563 Land Parcel and the 6564 Land Parcel is expected to be HK\$2.6 billion and HK\$2 billion respectively. The expected capital expenditure for developing the 6563 Land Parcel and the 6564 Land Parcel in 2017 and 2018 is set out below:

	Expected capital expenditure	
	For the year ending 31 December 2017 (HK\$)	For the year ending 31 December 2018 (HK\$)
6563 Land Parcel	10 million	450 million
6564 Land Parcel	8 million	400 million

The Group intends to finance the capital expenditure for developing the 6563 Land Parcel and 6564 Land Parcel by internal resources and construction loans.

5. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the obtaining of the land use right over the 6563 Land Parcel is 100% or more, the Acquisition constitutes a very substantial acquisition for the Company pursuant to Chapter 14 of the Listing Rules. The Acquisition is a qualified property acquisition under Rule 14.04(10C) of the Listing Rules as it involves an acquisition of land in Hong Kong from the HK Government through a public tender. The Acquisition is undertaken on a sole basis by the Company in its ordinary and usual course of business. Accordingly, the Acquisition is subject to reporting and announcement requirements but is exempt from Shareholders' approval requirements pursuant to Rule 14.33A(1) of the Listing Rules.

Accordingly, no general meeting of the Company will be convened for the purpose of approving the Acquisition; and valuation of the Land Parcel is not required pursuant to Rule 14.33B(3) of the Listing Rules.

LETTER FROM THE BOARD

6. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the board of
**HONG KONG INTERNATIONAL
CONSTRUCTION INVESTMENT
MANAGEMENT GROUP CO., LIMITED**
Zhao Quan
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of financial years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016 (which only covers the period from 1 April 2016 to 31 December 2016 as a result of the change of financial year end date of the Company to 31 December, effective on 20 September 2016) together with the relevant notes thereto are disclosed in the following documents which have been published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.hkicimgroup.com>):

- (i) annual report of the Company for the year ended 31 March 2014 published on 9 July 2014 (pages 48 to 175), which can be accessed via the link at

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0709/LTN20140709179.pdf>)
- (ii) annual report of the Company for the year ended 31 March 2015 published on 30 June 2015 (pages 55 to 187), which can be accessed via the link at

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0630/LTN20150630161.pdf>)
- (iii) annual report of the Company for the year ended 31 March 2016 published on 19 July 2016 (pages 67 to 188), which can be accessed via the link at

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0719/LTN20160719009.pdf>)
- (iv) annual report of the Company for the nine months ended 31 December 2016 published on 30 March 2017 (pages 61 to 205), which can be accessed via the link at

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0330/LTN20170330141.pdf>)

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the performance and other information of the Group for the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016 principally extracted from the annual reports of the Company for the years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016, respectively. Unless the context otherwise requires, capitalised terms used therein shall have the same meanings as those ascribed in the Company's annual reports for the years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 2016, respectively.

(i) For the year ended 31 March 2014**BUSINESS REVIEW*****Hong Kong Market******Foundation Piling***

Turnover of the Group's foundation division decreased by 15% to HK\$2,471 million for the year under review. Its net contribution increased by 2.3 times to HK\$189 million as compared to HK\$80

million last year. The Group's major contracts on hand include, inter alia, a public housing development in Tung Chung Area 39, private residential developments in Kai Tak and Tseung Kwan O, and site formation and foundation works for a residential development in Kau To, Shatin.

Other Construction Related Sectors

During the year under review, turnover of the Group's electrical and mechanical engineering division was HK\$21 million and the division made a net contribution of about HK\$0.7 million. The Group expects the division will continue to maintain the current trend in the coming year. Turnover of the machinery leasing and trading division maintained at HK\$32 million during the year under review and the division incurred a loss of about HK\$0.5 million. The Group expects the division to turnaround in the coming year.

PRC Market

Property Development

The Waterfront

During the year under review, the Group's residential project in Shanghai, The Waterfront, recognized a revenue of HK\$449 million as compared to HK\$224 million in the same period last year and contribution to profit of HK\$258 million (2013: HK\$140 million). The unsold area at The Waterfront as at 31 March 2014 is outlined below:

- Residential: about 11,800 sqm;
- Car Park: 99 car park spaces;
- Non-Residential: about 4,800 sqm, representing primarily street front retail and a historic building.

From April to May 2014, an additional 2,046 sqm of the project was sold.

As the government's tightening policies continue, the market sentiment is expected to remain cautious and conservative. However, as The Waterfront is a unique product and the remaining inventory is relatively small, we expect the price to remain stable.

The Riverside

The Group's residential project in Tianjin, The Riverside, comprises 6 towers with a total gross floor area ("GFA") of about 75,000 sqm. The unsold area at The Riverside as at 31 March 2014 is outlined below:

- Residential: about 34,200 sqm;
- Car Park: 185 car park spaces;

- Non-Residential: about 4,000 sqm, representing primarily street front retail and The Riverside's clubhouse.

From April to May 2014, an additional 1,765 sqm of the project was sold.

For the year under review, a revenue of HK\$515 million was recognized as compared to HK\$535 million in the same period last year and contribution to profit decreased from HK\$199 million of last year to HK\$170 million. The Group is confident that it can maintain its sale pace and price for the remaining units which are of high quality and unique design.

The Pinnacle

The site in Shenyang is located at Huanggu District with a site area of about 41,209 sqm and a GFA of about 165,000 sqm. The Pinnacle will comprise of both residential and commercial development. Construction works to the residential towers have commenced. All blocks (except for Towers 7 and 8) will be topped out by the end of 2014. The Group expects to commence presale in the financial year of 2015-2016, subject to market conditions.

Property Investment and Management

In order to achieve higher returns, the Group has undertaken renovation works in phases to enhance the quality of its investment properties in Shanghai, China Garden and Aidu Apartment, since October 2013. During the period under review, the tenants had been gradually vacated to facilitate the renovation works. Turnover of the property investment division decreased to HK\$13 million while the overall valuation increased by HK\$45 million. Following completion of the renovation works in the second half of 2014, it is expected that these investment properties in Shanghai will provide steady recurrent income to the Group.

PROSPECTS

The Group expects Hong Kong's foundation piling industry to stay healthy in the next few years. This is driven by strong construction activities in both public and private sectors. In the fiscal year 2014-15, the government's capital spending on infrastructure is estimated to reach HK\$78 billion; this represents a year-on-year increase of 2%, and 22% above the 5-year average. The government has also increased the supply of residential land, which has led to an increase in private-sector developments. Major infrastructure projects and land development projects being undertaken or planned include Kai Tak Development Area, the Kwun Tong Line Extension, the Central Kowloon Route, the Tseung Kwan O-Lam Tin Tunnel and the Tseung Kwan O Cross Bay Link, the construction or redevelopment of various hospitals, and the Third Runway. The Group is well positioned to benefit from these developments.

As of 31 March 2014, the business of the Group's foundation division remains healthy. With the contracted works in the pipeline, it is expected that the division will continue to yield profits in the new financial year.

In China, we see a slowdown in the property sector. However, the Group believes that the impact will be less pronounced in city-centre locations (such as our Shanghai and Tianjin projects). In addition, our product offers unique value proposition to our potential customers, which we believe will allow us to withstand price competition from our competitors.

The Group will adopt a prudent investment and financing strategy and continue to strive for improvement, strengthen its efficiency and seek opportunities to maximize the interests of all shareholders.

After the general offer made by Tides Holdings II Ltd. became unconditional on 3 January 2014, the Company has become a subsidiary of The Blackstone Group L.P. and its affiliates. The Group will continue to focus on its principal businesses, being property development, property investment and management, and foundation piling.

FINANCIAL REVIEW

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 March 2014, the Group's cash on hand was approximately HK\$1,551 million (31 March 2013: HK\$1,079 million) while total assets and net assets (after deducting non-controlling interests) were approximately HK\$5,277 million (31 March 2013: HK\$5,074 million) and HK\$2,482 million (31 March 2013: HK\$2,339 million), respectively. As at 31 March 2014, the Group's working capital amounted to HK\$1,538 million and total bank borrowings amounted to HK\$586 million. As at 31 March 2014, the Group did not have any net debt balance ⁽¹⁾ and recorded a net cash balance ⁽²⁾ of HK\$965 million, while the Group recorded a net cash balance HK\$243 million as at 31 March 2013. Contingent liabilities in relation to guarantees of performance bonds increased from HK\$378 million as at 31 March 2013 to HK\$533 million as at 31 March 2014. Certain of the Group's assets with a book value of approximately HK\$222 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were mostly denominated in Hong Kong dollars, with a few loan facilities in Euro and Yen. Currency exposure has been monitored and forward contracts will be considered when the need arises.

1. Net debt balance = total bank borrowings minus total of time deposits, restricted cash and cash and bank balances
2. Net cash balance = total of time deposits, restricted cash and cash and bank balances minus total bank borrowings

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 1,448 employees as at 31 March 2014. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance to the terms of the Group's approved share option scheme.

(ii) For the year ended 31 March 2015

BUSINESS REVIEW

Hong Kong Market

Foundation Piling

Turnover of the Group's foundation piling segment increased by 52% to HK\$3,752 million for the year under review. Its contribution to net profit increased by 1.7 times to HK\$321 million as

compared to HK\$189 million last year, driven by increased construction activities and public spending on infrastructure. The Group's major contracts on hand include, inter alia, the Passenger Clearance Building for the HK-Zhuhai-Macau Bridge, public housing developments in Tung Chung Area 39, Pak Tin Estates, Kai Tak and the former Wholesale Food Market at Cheung Sha Wan, private residential developments in Kai Tak, Tseung Kwan O, and Kwun Tong and commercial development in Wong Chuk Hang and Quarry Bay. EBITDA for the foundation piling segment increased by 56%, from HK\$245 million to HK\$381 million for the year under review. The overall EBITDA margin for the segment remained at 10% as per last year.

PRC Market

Property Development

The Waterfront

During the year under review, the Group's residential project in Shanghai, The Waterfront, recognized a revenue of HK\$569 million as compared to HK\$449 million in the same period last year and contribution to net profit of HK\$414 million (2014: HK\$258 million).

The unsold area of The Waterfront as at 31 March 2015 is outlined below:

- Residential: about 6,100 sqm;
- Car Park: about 73 car park units;
- Non-Residential: about 4,800 sqm, representing primarily street front retail shops and a historic building.

The residential market sentiment has improved after the Chinese government relaxed the tightening policies in early 2015. The Waterfront is a unique development and the remaining inventory is relatively small. We expect the price of the remaining units to escalate due to limited supply.

The Riverside

The Group's residential project in Tianjin, The Riverside, comprises 6 towers with a total gross floor area ("GFA") of about 75,000 sqm.

For the year under review, a revenue of HK\$418 million was recognized as compared to HK\$515 million in the same period last year and contribution to net profit decreased from HK\$199 million of last year to HK\$166 million. The Group is confident that The Riverside can maintain the sales velocity and price of the remaining units which are of high quality and unique design.

The unsold area of The Riverside as at 31 March 2015 is outlined below:

- Residential: about 25,500 sqm;
- Car Park: about 165 car park units;
- Non-Residential: about 3,900 sqm, representing primarily street front retail shops and The Riverside's clubhouse.

The Pinnacle

The site in Shenyang is located at Huanggu District with a site area of about 41,209 sqm and a GFA of about 165,000 sqm. The Pinnacle comprises of both residential and commercial development. Construction works are in progress and will be completed in mid-2016 as scheduled. With the opening of the Sales Office on 1 May 2015, the Group expects to commence presales in the financial year of 2015-2016, subject to market conditions.

EBITDA for the property development segment increased by 34%, from HK\$449 million to HK\$603 million for the year under review. The overall EBITDA margin increased by 15% from 46% to 61% for the year ended 31 March 2015.

Property Investment and Management

Since the completion of the renovation works in mid-2014, the Group's investment properties in Shanghai have continued to provide steady recurring income. During the year under review, turnover of the property investment and management division maintained at HK\$13 million.

PROSPECTS

The Group expects Hong Kong's foundation piling industry to stay healthy in the next few years. This is driven by strong construction activities in both public and private sectors. For the fiscal year 2015-16, the government's capital spending on infrastructure is estimated to reach about HK\$76 billion; this represents about 13% above the 5-year average. The government has carried out land use reviews continuously on sites available for residential use and increased the land supply to cope with the overwhelming housing needs, resulting in a marked increase in both public and private housing development activities. Major infrastructure projects and land development projects being undertaken or planned include the revitalization of Kowloon East, development of Tung Chung New Town Extension, East Lantau Metropolis, Kai Tak Fantasy project and implementing new railway projects. The Group is well-positioned to benefit from the high level of construction activities while maintaining its leading market position in Hong Kong.

While the Group's foundation business has performed very well in the past financial year, challenges remain with continuing cost inflation and increasingly competitive market landscape. However, with the current works in the pipeline, and barring any unforeseen circumstances, it is expected that the division will continue to yield profits in the current financial year.

In China, the overall property market sentiment has improved significantly subsequent to the PRC government's announcement to support the property market in early March 2015. The new policies on mortgages and the housing provident fund for first and second home buyers, the lowering of interest rates and bank's reserve requirement ratio, and the lifting of business tax on the sale of units purchased for more than two years, have stimulated demand in the market. In addition, our product offers a unique value proposition to our potential customers, which will be beneficial to our residential sales campaigns.

The Group will maintain a prudent investment and financing strategy and continue to strengthen its efficiency and seek opportunities to maximize the interests of its shareholders.

FINANCIAL REVIEW

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 March 2015, the Group's cash on hand was approximately HK\$1,311 million (31 March 2014: HK\$1,551 million) while total assets and net assets (after deducting non-controlling interests) were approximately HK\$5,568 million (31 March 2014: HK\$5,277 million) and HK\$2,742 million (31 March 2014: HK\$2,482 million), respectively. As at 31 March 2015, the Group's net current assets amounted to HK\$1,100 million and total bank borrowings amounted to HK\$368 million. As at 31 March 2015, the Group did not have any net debt balance⁽¹⁾ and recorded a net cash balance⁽²⁾ of HK\$944 million, while the Group recorded a net cash balance HK\$965 million as at 31 March 2014. Contingent liabilities in relation to guarantees of performance bonds decreased from HK\$533 million as at 31 March 2014 to HK\$417 million as at 31 March 2015. Certain of the Group's assets with a book value of approximately HK\$183 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were primarily denominated in Hong Kong dollars, with a few loan facilities in Euro. Currency exposure has been monitored and forward contracts will be considered as required.

1. Net debt balance = total bank borrowings minus total of time deposits, restricted cash and cash and bank balances
2. Net cash balance = total of time deposits, restricted cash and cash and bank balances minus total bank borrowings

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 1,518 employees as at 31 March 2015. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance to the terms of the Group's approved share option scheme.

(iii) For the year ended 31 March 2016**BUSINESS REVIEW*****Hong Kong Market******Foundation Piling***

Turnover of the Group's foundation piling segment decreased by 20% to HK\$3,018 million for the year under review. Its contribution to net profit increased by 22% to HK\$394 million as compared to HK\$321 million last year, driven by increased construction activities and public spending on infrastructure. The Group's major contracts on hand include, inter alia, the Passenger Clearance Building for the HK-Zhuhai-Macau Bridge, public housing developments in Pak Tin Estates and Wong Tai Sin, private residential developments in Tseung Kwan O and North Point, and commercial

developments in Wong Chuk Hang, Kwun Tong, Pak Shek Kok and Yuen Long. EBITDA for the foundation piling segment increased by 19%, from HK\$381 million to HK\$455 million for the year under review. The overall EBITDA margin for the segment increased by 5% to 15% for the year ended 31 March 2016.

PRC Market

Property Development

The Waterfront

During the year under review, the Group's residential project in Shanghai, The Waterfront, recognised a revenue of HK\$466 million as compared to HK\$569 million last year and contribution to net profit of HK\$302 million (2015: HK\$414 million).

The unsold area of The Waterfront as at 31 March 2016 is outlined below:

- Residential: about 1,000 sqm;
- Car Park: about 31 car park units;
- Non-Residential: about 4,800 sqm, representing primarily street front retail shops and a historic building.

At the end of March 2016, the Shanghai Government issued tightening policies to cool the overheated property market, including raising the minimum down-payment for the second home purchase with unit size below 140 square meters and tightening the qualifications threshold for non-local buyers to purchase home. The residential market remains stable after the introduction of these tightening policies. With a relatively small inventory in an unique development, we do not expect these Government policies would be an additional significant challenge.

The Riverside

The Group's residential project in Tianjin, The Riverside, comprises 6 towers with a total gross floor area ("GFA") of about 75,000 sqm.

For the year under review, a revenue of HK\$488 million was recognised as compared to HK\$418 million last year and contribution to net profit increased from HK\$166 million of last year to HK\$228 million.

The unsold area of The Riverside as at 31 March 2016 is outlined below:

- Residential: about 7,600 sqm;
- Car Park: about 164 car park units;
- Non-Residential: about 3,900 sqm, representing primarily street front retail shops and The Riverside's clubhouse.

The market sentiment of the high-end market in Tianjin was positive in the beginning of 2016. Buyers' confidence was strong due to the supportive policies rolled out by the Central Government for the real estate market. The rising demand for the first-time home buyers and upgraders helped maintain a positive market sentiment in the first quarter of 2016.

The Pinnacle

The site in Shenyang is located at Huanggu District with a site area of about 41,209 sqm and a GFA of about 165,000 sqm. The Pinnacle comprises both residential and commercial development. Pre-sale of the residential units started in the second half of 2015 and construction works are expected to be completed around mid 2016. The first batch of the sold units is expected to be handed over starting from September 2016.

The unsold area of The Pinnacle as at 31 March 2016 is outlined below:

- Residential: about 96,200 sqm;
- Car Park: about 1,049 car park units;
- Non-Residential: about 62,665 sqm, comprising a shopping mall and an office block.

EBITDA for the property development segment decreased by 12%, from HK\$603 million to HK\$528 million for the year under review. The overall EBITDA margin decreased by 6% to 55% for the year ended 31 March 2016.

The confidence of the buyers was strengthened by the positive sentiment of the new home market across the country and supportive policies for the housing market. The Shenyang Government rolled out a series of supportive policies at the end of March 2016 to stimulate the demand for new homes, such as relaxation of using housing provident fund for home purchase, reduction of deed tax and provision of subsidies to the current students of universities and secondary vocational schools as well as the fresh graduates for home purchase.

Property Investment and Management

The Group has realized some of its investment properties and turnover of the property investment and management division increased from HK\$13 million of last year to HK\$26 million during the year under review. Disposal of the service apartment business at Aidu Apartment and China Garden in Shanghai were completed in December 2015 and in February 2016 respectively.

PROSPECTS

The Board notes that, in the joint announcement dated 19 April 2016 ("Joint Announcement"), HNA Finance I Co., Ltd. ("HNA Finance I") and the Company jointly announced that HNA Finance I has entered into an agreement with Tides Holdings II Ltd. to acquire approximately 66% of the issued shares of the Company ("Tides Transaction"). It was stated in the Joint Announcement that upon completion of the Tides Transaction, HNA Finance I will become the controlling shareholder of the

Company. It was also stated that HNA Finance I intends that the Group will continue with the Group's existing businesses and that subject to market conditions, HNA Finance I also intends to provide funds, personnel, technology and other resources to support the Group's investment in and development of new projects, and raise the number of projects, asset value and brand recognition to a higher level, including by actively seeking potential business investment and development projects in the PRC and overseas. HNA Finance I also stated that it has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment. For further details, please refer to the Joint Announcement, the announcements and/or joint announcements (collectively, the "Announcements") of the Company to be made following completion of the Tides Transaction, and the composite offer document relating to the mandatory unconditional cash offer to be made by HNA Finance I ("Composite Offer Document") to be despatched within 7 days from the completion of the Tides Transaction.

With the recent decision by the United Kingdom to exit European Union ("Brexit"), the Group does not expect there is any immediate impact on its operations, but it will review the effect of the "Brexit" closely.

The Group will maintain a prudent investment and financing strategy and continue to strengthen its efficiency and seek opportunities to maximize the interests of its shareholders.

FINANCIAL REVIEW

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 March 2016, the Group's cash on hand was approximately HK\$1,806 million (31 March 2015: HK\$1,311 million) while total assets and net assets (after deducting non-controlling interests) were approximately HK\$5,608 million (31 March 2015: HK\$5,568 million) and HK\$2,688 million (31 March 2015: HK\$2,742 million), respectively. As at 31 March 2016, the Group's net current assets amounted to HK\$3,013 million and total bank borrowings amounted to HK\$857 million. As at 31 March 2016, the Group did not have any net debt balance⁽¹⁾ and recorded a net cash balance⁽²⁾ of HK\$949 million, while the Group recorded a net cash balance HK\$944 million as at 31 March 2015. Contingent liabilities in relation to guarantees of performance bonds decreased from HK\$417 million as at 31 March 2015 to HK\$195 million as at 31 March 2016 while guarantees for end user mortgage loans amounted to HK\$14 million. Certain of the Group's assets with a book value of approximately HK\$175 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were primarily denominated in Hong Kong dollars, with a few loan facilities in Euro. Currency exposure has been monitored and forward contracts will be considered as required.

1. Net debt balance = total bank borrowings minus total of time deposits, restricted cash and cash and bank balances
2. Net cash balance = total of time deposits, restricted cash and cash and bank balances minus total bank borrowings

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 1,348 employees as at 31 March 2016. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance to the terms of the Group's approved share option scheme.

ACQUISITION OF CONTROLLING INTEREST AND MANDATORY UNCONDITIONAL CASH OFFER

The Company has been informed that HNA Finance I intends to complete the Tides Transaction on 30 June 2016. Upon completion of the Tides Transaction, HNA Finance I will become the controlling shareholder of the Company.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, following the completion of the Tides Transaction, HNA Finance I will be required to make a mandatory unconditional general offer in cash for all the issued shares of the Company other than those already owned or agreed to be acquired by HNA Finance I and its concert parties upon completion of the Tides Transaction. For details, please refer to the Joint Announcement, the Announcements and the Composite Offer Document.

(iv) **For the nine months ended 31 December 2016**

BUSINESS REVIEW***Hong Kong Market******Foundation Piling***

During the Period, turnover of the Group's foundation piling segment was HK\$2,115 million. Its contribution to net profit, representing segment result less share of management incentive bonus, was HK\$226 million as compared to HK\$394 million last year. The Group's major contracts on hand include, inter alia, the public housing developments in Wong Tai Sin, Pak Tin Estates and Fanling, private residential developments in Tseung Kwan O, Kwun Tong, North Point, Pak Shek Kok, and commercial developments in Wong Chuk Hang, Kwun Tong, Pak Shek Kok and Yuen Long. During the Period, EBITDA for the foundation piling segment was HK\$268 million as compared to HK\$455 million last year. The overall EBITDA margin for the segment was 13% for the Period.

*PRC Market**Property Development**The Waterfront*

During the Period, the Group's residential project in Shanghai, The Waterfront, recognized a revenue of HK\$30 million as compared to HK\$466 million last year and contribution to net profit of HK\$11 million (year ended 31 March 2016: HK\$302 million). The unsold area of The Waterfront as at 31 December 2016 is outlined below:

- Residential: about 1,000 sqm;
- Car Park: about 12 car park units;
- Non-Residential: about 4,800 sqm, representing primarily street front retail shops and a historic building.

Due to the tightening policies introduced in October and November 2016, the overall Shanghai residential market has slowed down in terms of number of transactions but the average unit price remains stable. As there is only one unsold residential unit which is of such a unique nature, it is not intended to dispose of it by substantial reduction in price. Despite the unfavourable retail market sentiment in Shanghai, all the retail shops and the historic building at The Waterfront have been leased out.

The Riverside

The Group's residential project in Tianjin, The Riverside, comprises 6 towers with a total gross floor area ("GFA") of about 75,000 sqm.

During the Period, a revenue of HK\$569 million was recognized as compared to HK\$488 million last year and contribution to net profit increased from HK\$228 million last year to HK\$305 million.

The unsold area of The Riverside as at 31 December 2016 is outlined below:

- Residential: about 330 sqm;
- Car Park: about 26 car park units;
- Non-Residential: about 3,900 sqm, representing primarily street front retail shops and The Riverside's clubhouse.

The residential market sentiment in Tianjin was very positive in 2016 and both transaction volume and average unit price have reached record high. The Riverside has benefited from the overall market sentiment and there is only one unsold unit.

The retail shops would be reinstated for leasing or disposal.

The Pinnacle

The Pinnacle is located at Huanggu District in Shenyang with a site area of about 41,209 sqm and a GFA of about 165,000 sqm. The Pinnacle comprises both residential and commercial developments. Construction works had substantially completed and handover of the units to the buyers commenced in mid-September 2016. As the units are available for inspection and occupancy, it is expected that the confidence of our potential customers will increase hence improving the pace of sale in 2017.

During the Period, a revenue of HK\$286 million was recognized and contribution to net profit was about HK\$3 million.

The unsold area of The Pinnacle as at 31 December 2016 is outlined below:

- Residential: About 74,000 sqm;
- Car Park: About 972 car park units;
- Non-Residential: About 62,665 sqm, comprising a shopping mall and an office block.

The sale of residential units of The Pinnacle has also benefited from the Central Government's policies on reduction in housing inventories. As for the overall market sentiment for retail office in Shenyang, the over supply situation has created tremendous adverse impact. Disposal or leasing of the office and retail shops of The Pinnacle remains challenging.

During the Period, EBITDA for the property development segment was HK\$330 million as compared to HK\$528 million last year. The overall EBITDA margin was 37% for the Period.

Property Investment and Management

The Group has realized some of its investment properties and turnover of the property investment and management segment during the Period was HK\$2 million as compared to HK\$26 million last year.

Mandatory Unconditional Cash Offer, Change of Company Name and Year End Date.

On 30 June 2016, HNA Finance I Co., Ltd. ("HNA Finance I") acquired about 66% interest in the Company and the mandatory unconditional cash offer made by HNA Finance I was closed on 28 July 2016. During the Period, the Company has become a subsidiary of HNA Finance I, completed its name change, and changed its financial year end date to 31 December.

Share Placement

During the period from August to October 2016, the Company had issued 259,500,000 Shares and raised net proceeds amounted to approximately HK\$1,058,100,000.

PROSPECTS

In respect of the foundation piling and construction business, the competition is expected to remain keen in the near future due to the growing number of market players and reduced available projects. The profit margins as a whole have been negatively affected by reduced profit margins given market factors such as labour shortages, rising operating costs and intensification of competition since 31 March 2016 and up to the financial period ended 31 December 2016. Based on the tenders it has submitted after 31 March 2016, being its most recent financial year end, it has been observed by the Group that successful tenders for the Group or others have been achieved at levels of decreased profit margins as compared to the average profit margin achieved by the Group for the most recent financial year ended 31 March 2016 and this trend is expected to affect the Group's financial results for the financial year ending 31 December 2017.

In respect of the property development business in the PRC, the overall property market sentiment improved significantly in the first quarter of 2016 due to a slew of relaxation policies rolled out by the Central Government to support the property market, given that a reduction in housing inventories was set as one of the five major tasks in 2016 for the Central Government. The relaxation measures boosted the confidence of buyers. Though the overall market sentiment in China has weakened since October 2016 due to the re-introduction of austerity measures in more than 20 cities to stabilize the residential market, sales of our remaining residential properties is expected to remain steady due to uniqueness of our products in terms of quality and value. Construction of the property development project in Shenyang was substantially completed in September 2016, and hand over of some units previously sold commenced. Since September 2016, the Group has continued to hand over sold units. As the availability units are available for inspection and occupancy, it is expected that the confidence of our potential customers will increase hence improving the pace of sale in 2017. Revenue and gross profits from the sale of the properties are only recognised upon delivery. Based on delivery of units which, as at the end of February 2017, represented approximately 31% of all residential units in the development, the profit margins from the Shenyang development has remained relatively stable since September 2016. By way of background, the profit margins from sale of properties of the Shenyang development are not as high as those of the Group's development projects in Shanghai and Tianjin, which are first tier cities in the PRC.

In respect of the property development business in Hong Kong, the HK Government intends to supply up to 460,000 public and private units as the housing supply target for the next 10 years, which is expected to support demand for services from the construction industry in the medium term. There is also a strong demand for professional and infrastructure services from the regions along the "One Belt One Road". The Group will explore more property development and related project management opportunities in Hong Kong and consider the viability of each project on its own merits with reference to the prevailing market conditions.

The Group will continue with its existing businesses, being property development, foundation piling and site investigation, and property investment and management. It will also continue to maintain a prudent investment and financing strategy and strive to strengthen its efficiency, while seeking opportunities to maximize the return to its shareholders. It will also continue to explore suitable business opportunities for its future development, including leveraging on synergies with its shareholder(s), to enhance the long-term growth potential of the Group. As at 31 December 2016 and

save for sales of its property developments and other transactions in the ordinary and usual course of business and as otherwise disclosed by the Group, the Company had not identified any potential targets and had no agreement, arrangement, understanding or negotiation on any potential acquisition, and had no plan, arrangement, understanding, intention, negotiation (either concluded or in process) on any disposal or scale down of existing assets or business of the Group.

FINANCIAL REVIEW

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 December 2016, the Group's cash on hand was approximately HK\$1,858 million (31 March 2016: HK\$1,806 million) while total assets and net assets (after deducting non-controlling interests) were approximately HK\$5,527 million (31 March 2016: HK\$5,608 million) and HK\$2,949 million (31 March 2016: HK\$2,688 million), respectively. As at 31 December 2016, the Group's net current assets amounted to HK\$2,830 million. As at 31 December 2016, the Group did not have any net debt balance⁽¹⁾ and recorded a net cash balance⁽²⁾ of HK\$1,383 million, while the Group recorded a net cash balance⁽²⁾ of HK\$949 million as at 31 March 2016. Contingent liabilities in relation to guarantees of performance bonds increased from HK\$195 million as at 31 March 2016 to HK\$344 million as at 31 December 2016 while guarantees for end user mortgage loans amounted to HK\$42 million. Certain of the Group's assets with a book value of approximately HK\$169 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were primarily denominated in Hong Kong dollars. Currency exposure has been monitored and forward contracts will be considered as required.

1. Net debt balance = total bank borrowings minus total of time deposits, restricted cash and cash and bank balances
2. Net cash balance = total of time deposits, restricted cash and cash and bank balances minus total bank borrowings

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 1,270 employees as at 31 December 2016. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance to the terms of the Group's approved share option scheme.

3. INDEBTEDNESS

As at 28 February 2017, being the latest practicable date for the purpose of preparation of this statement prior to the publication of this circular, the Group had unaudited bank and other borrowings amounting to approximately HK\$3,221,453,000 and HK\$3,106,491,000, respectively, details of which are as follows:

The following table illustrates the Group's indebtedness as at 28 February 2017:

	<i>HK\$'000</i>
Bank borrowings	
<i>Current</i>	
Bank loans, unsecured	270,215
Bank loans, secured	2,600,100
Instalment loan, secured	4,318
	<u>2,874,633</u>
<i>Non-Current</i>	
Bank loans, unsecured	272,796
Instalment loan, secured	74,024
	<u>346,820</u>
Total	<u>3,221,453</u>
	<i>HK\$'000</i>
Other borrowings	
<i>Current</i>	
Loan from immediate holding company	2,750,000
Loan from an intermediate holding company	356,491
	<u>3,106,491</u>
Total	<u>3,106,491</u>

As at 28 February 2017, the current secured bank loans of HK\$2,600,100,000 drawn by the Company on 21 February 2017 refers to the Top Genius Bank Loan, which was an interest bearing bank loan from Shanghai Commercial Bank Limited pursuant to a loan agreement dated 20 February 2017 at an interest rate of the Hong Kong interbank offered rate plus 1.6% and with a maturity date of one year (i.e. 20 February 2018). The loan was secured by Top Genius' property under development with carrying amount of approximately HK\$5,538,826,000, cash and bank balances of Top Genius of approximately HK\$3,530,000 and all the issued shares of Top Genius. The loan was also supported by corporate guarantee from the Company.

As at 28 February 2017, the Group's instalment loan was secured by certain of the Group's land and buildings with carrying amounts of approximately HK\$167,765,000 and was supported by corporate guarantee from the Company.

All unsecured bank borrowings were supported by corporate guarantees from the Company and certain subsidiaries of the Company, respectively. Mr. Fung, who is a beneficial shareholder of certain subsidiaries of the Company through Fortunate Pool, also provided personal guarantees in respect of borrowing facilities granted to these subsidiaries.

As at 28 February 2017, the loan from the immediate holding company of HK\$2,750,000,000 refers to the interest free, unsecured Top Genius Shareholder's Loan granted by HNA Finance I to the Company with an initial maturity date of one year with an option available to the Company to extend for another year.

The Group's gearing ratio, calculated on the basis of total bank borrowings divided by Shareholders' equity, was 22% as at 31 March 2014, 13% as at 31 March 2015, 31% as at 31 March 2016 and 16.1% as at 31 December 2016.

4. CONTINGENT LIABILITIES

As at 28 February 2017:

- (a) the Group provided guarantees to certain banks in respect of performance bonds granted to certain subsidiaries of approximately HK\$303,382,000;
- (b) the Group provided guarantees in respect of mortgage facilities granted by Shenyang Housing Fund Management Center relating to the mortgage loans arranged for purchases of certain properties developed by a subsidiary of the Company and the outstanding mortgage loans under these guarantees amounted to approximately HK\$50,499,000;
- (c) the Company provided guarantees to certain banks in connection with general credit facilities granted to its certain subsidiaries in an aggregate amount of approximately HK\$3,713,861,000; and
- (d) the Company provided guarantee to an intermediate holding company in connection with a loan granted to its subsidiary in an amount of approximately HK\$356,491,000.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or hire purchase commitments guarantees or other contingent liabilities as at the close of business on 28 February 2017.

5. WORKING CAPITAL SUFFICIENCY

In accordance with the terms of the Top Genius Bank Loan Agreement, Top Genius is required to ensure participating banks take up the relevant rights and obligations in connection with 50% of the Top Genius Bank Loan, amounting to HK\$1,301 million, transferred from the original lender (the

“Transfer”) and such Transfer should be completed within three months from the date of the Top Genius Bank Loan Agreement (i.e. by 20 May 2017). The transfer of rights and obligations of a portion of the Top Genius Bank Loan, amounting to HK\$1,000 million (the “Transfer Loan”), to Chong Hing Bank Limited took place on 21 April 2017 in accordance with the Top Genius Bank Loan Agreement. Regarding the remaining portion of the Top Genius Bank Loan, amounting to approximately HK\$301 million (the “Non-transferred Loan”) required to be transferred, the original lender confirmed that it took up such amount on 26 April 2017 such that the total amount borrowed from the original lender is HK\$1,602 million.

According to the Top Genius Bank Loan Agreement, the Top Genius Bank Loan will be due in February 2018 and the Company plans to renew the Top Genius Bank Loan with the existing banks before maturity date. In addition, the Company has proposed the Rights Issue with a view to providing funding for the Group’s business development and expansion and assisting with the Company’s repayment of financial indebtedness. A portion of the net proceeds from the Rights Issue is intended to be used for repaying borrowings and as general working capital. The sufficiency of working capital of the Group in the next 12 months from the date of this circular is dependent on the successful renewal of the Top Genius Bank Loan and completion of the Rights Issue. The Directors are confident that the Group will be able to renew the Top Genius Bank Loan before its final maturity date and that the Rights Issue will be completed.

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account (i) the completion of the Acquisition; (ii) the Group’s internal resources; (iii) the Top Genius Shareholder’s Loan and the Milway Shareholder’s Loans; (iv) the loan facilities presently available to the Group; (v) the expected net proceeds from the Rights Issue; (vi) the transfer of the rights and obligations of the Transfer Loan to the participating bank; and (vii) the expected refinancing of the existing banking facilities upon their maturities, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. PROSPECTS OF THE GROUP

Foundation piling and construction

In respect of the foundation piling and construction business, the competition is expected to remain keen in the near future due to the growing number of market players and reduced available projects. The profit margins as a whole have been negatively affected given market factors such as labour shortages, rising operating costs and intensification of competition. This has impacted on the segment results for the foundation piling business of the Group, which showed a slight decrease of approximately 0.1% in the segment results margin for the nine months ended 31 December 2016 as compared with the financial year ended 31 March 2016. This trend is expected to affect the Group’s financial results for the financial year ending 31 December 2017.

Property development

In respect of the property development business in the PRC, the overall property market sentiment improved significantly in the first quarter of 2016 due to a slew of relaxation policies rolled out by the Central Government to support the property market, given that a reduction in housing inventories was set as one of the five major tasks in 2016 for the Central Government. The relaxation measures boosted the confidence of buyers. Though the overall market sentiment in China has weakened since October 2016 due to the re-introduction of austerity measures in more than 20 cities to stabilize the residential market, sales of our remaining residential properties is expected to remain steady due to uniqueness of our products in terms of quality and value. Construction of the property development project in Shenyang (The Pinnacle) was substantially completed in September 2016, and hand over of some units previously sold commenced. Since September 2016, the Group has continued to hand over sold units. As the available units are ready for inspection and occupancy, it is expected that the confidence of our potential customers will increase hence improving the pace of sale in 2017. Revenue and gross profits from the sale of the properties are only recognised upon delivery. Based on delivery of units which, as at the end of February 2017, representing approximately 31% of all residential units in the development, the profit margins from the Shenyang development has remained relatively stable since September 2016. By way of background, the profit margins from the sale of properties of the Shenyang development are not as high as those of the Group's development projects in Shanghai and Tianjin, which are first tier cities in the PRC. The unsold area of The Pinnacle, the Company's residential and commercial project in Shenyang, as at 28 February 2017 is outlined below:

- Residential: about 72,600 sqm;
- Car Park: about 964 car park units;
- Non-Residential: about 62,665 sqm, comprising a shopping mall and an office block.

The unsold area of The Waterfront, the Group's residential project in Shanghai, as at 28 February 2017 is outlined below:

- Residential: about 1,000 sqm;
- Car Park: about 12 car park units;
- Non-Residential: about 4,800 sqm, representing primarily street front retail shops and a historic building.

The 13 retail shops and a historic building at The Waterfront were leased to independent third parties for rental income and were therefore classified as investment properties of the Group.

The unsold area of The Riverside, the Group's residential project in Tianjin, as at 28 February 2017 is outlined below:

- Residential: about 330 sqm;
- Car Park: about 26 car park units;
- Non-Residential: about 3,900 sqm, representing primarily street front retail shops and The Riverside's clubhouse.

Looking at the overall development of the PRC property market, although demand for private residential property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. In recent years, to curtail the overheating of the PRC property market, the PRC government has implemented a series of measures to tighten mortgage financing for second home purchases. There is uncertainty as to whether further restrictions will be imposed that may reduce the affordability of the Group's properties.

In respect of the property development business in Hong Kong, the HK Government intends to supply up to 460,000 public and private units as the housing supply target for the next 10 years, which is expected to support demand for services from the construction industry in the medium term. There is also a strong demand for professional and infrastructure services from the regions along the "One Belt One Road". On the other hand, the Group notes that competition in the real estate industry in Hong Kong is highly severe and may be further intensified as a result of any future governmental land supply policies and implementation measures. Any cooling-off governmental regulation and macroeconomic control measures may have an adverse effect on the Group's property development business. Despite the fierce competition, in view of the expected growing housing demand, the Group will explore more property development and related project management opportunities in Hong Kong and consider the viability of each project on its own merits with reference to the prevailing market conditions. According to the latest development plans of the Group, the development of the 6563 Land Parcel and 6564 Land Parcel is expected to provide approximately 1,200 units and presale could start by the end of 2019.

The total capital expenditure for developing the 6563 Land Parcel and the 6564 Land Parcel is expected to be HK\$2.6 billion and HK\$2 billion respectively. The expected capital expenditure for developing the 6563 Land Parcel and the 6564 Land Parcel for the year ending 31 December 2017 is approximately HK\$10 million and HK\$8 million respectively and the Group intends to finance the capital expenditure for developing the 6563 Land Parcel and 6564 Land Parcel by internal resources and construction loans.

The Group will continue with its existing businesses, being property development, foundation piling and site investigation, and property investment and management. It will also continue to maintain a prudent investment and financing strategy and strive to strengthen its efficiency, while seeking opportunities to maximize the return to its shareholders. It will also continue to explore suitable business opportunities for its future development, including leveraging on synergies with its shareholder(s), to enhance the long-term growth potential of the Group. As at the Latest Practicable Date and save for sales of its property developments and other transactions in the ordinary and usual course of business and as otherwise disclosed by the Group, the Company had not identified any potential targets and had no agreement, arrangement, understanding or negotiation on any potential acquisition, and had no plan, arrangement, understanding, intention, negotiation (either concluded or in process) on any disposal or scale down of existing assets or business of the Group.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(a) Interests and short positions of the Directors and chief executive in the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Number of ordinary shares held	Nature of interest	Percentage of the associated corporation's share capital interest (%)
Mr. Fung	TFHK	5 ⁽¹⁾	Corporate	5

Note:

- (1) These shares in TFHK were held by Fortunate Pool, a company which was wholly-owned by Mr. Fung as at the Latest Practicable Date.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, so far as is known to the Directors, the persons (other than a Director and chief executive of the Company) or entities who had or were deemed or taken to have an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the

SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Interests in Shares and underlying Shares

Name	Capacity	Number of Shares held	Percentage of issued share capital of the Company (%)
Hainan Province Cihang Foundation ⁽¹⁾	Interest of controlled corporation	3,024,194,034	266.64
Hainan Traffic Administration Holding Co., Ltd. ⁽¹⁾	Interest of controlled corporation	3,024,194,034	266.64
Tang Dynasty Development (Yangpu) Company Limited ⁽¹⁾	Interest of controlled corporation	3,024,194,034	266.64
HNA Group Co., Ltd. ⁽¹⁾	Interest of controlled corporation	3,024,194,034	266.64
HNA Finance I ⁽²⁾	Beneficial owner	3,024,194,034	266.64
Blackstone Group Management L.L.C. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Blackstone Holdings IV GP L.P. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Blackstone Holdings IV GP Management (Delaware) L.P. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Blackstone Holdings IV GP Management L.L.C. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Blackstone Holdings IV L.P. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Blackstone Real Estate Associates Asia-NQ L.P. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Blackstone Real Estate Partners Asia Holding (NQ) L.P. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Blackstone Real Estate Partners Asia-NQ L.P. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94

Name	Capacity	Number of Shares held	Percentage of issued share capital of the Company (%)
BREP Asia Holdings (NQ) Pte. Ltd. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
BREP Asia-NQ L.L.C. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Schwarzman Stephen A. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
The Blackstone Group L.P. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Tides Holdings I Ltd. ⁽³⁾	Interest of controlled corporation	78,719,931	6.94
Tides Holdings II	Beneficial owner	78,719,931	6.94
China State Construction Engineering Corporation ⁽⁴⁾	Interest of controlled corporation	57,000,000	5.03
China State Construction Engineering Corporation Limited ⁽⁴⁾	Interest of controlled corporation	57,000,000	5.03
CSCEC Capital (Hong Kong) Limited	Beneficial owner	57,000,000	5.03
北京市國有資產監督管理委員會 ⁽⁵⁾	Interest of controlled corporation	57,000,000	5.03
中國交通建設股份有限公司 ⁽⁶⁾	Interest of controlled corporation	57,000,000	5.03
China Railway Construction Corporation Limited ⁽⁷⁾	Interest of controlled corporation	57,000,000	5.03
China Railway Construction Corporation ⁽⁷⁾	Interest of controlled corporation	57,000,000	5.03
Central Huijin Investment Ltd. ⁽⁸⁾	Security interest in Shares	542,352,940	47.82
China Construction Bank Corporation ⁽⁸⁾	Security interest in Shares	542,352,940	47.82

Notes:

- (1) *These parties were deemed to have interests in 3,024,194,034 Shares by virtue of their equity interests in HNA Finance I. Out of these interested Shares, these parties were deemed to be interested in 755,862,228 Shares which were directly held by HNA Finance I; and the derivative interest in 2,268,331,806 Shares which represent the Shares which HNA Finance I had agreed to subscribe for under an undertaking given by HNA Finance I and the underwriting obligations of HNA Finance I pursuant to an underwriting agreement entered into with the Company, both in connection with the Rights Issue, details of which are set out in the announcement of the Company dated 28 March 2017.*
- (2) *This includes the 2,268,331,806 Shares which HNA Finance I has agreed to subscribe for under an undertaking given by HNA Finance I and the underwriting obligations of HNA Finance I pursuant to an underwriting agreement entered into with the Company, both in connection with the Rights Issue.*
- (3) *These parties were deemed to have interests in 78,719,931 Shares by virtue of their equity interests in Tides Holdings II.*
- (4) *These parties were deemed to have interests in 57,000,000 Shares by virtue of their equity interests in CSCEC Capital (Hong Kong) Limited, the subscriber of 57,000,000 Shares under a subscription agreement dated 22 August 2016.*
- (5) *This party was deemed to have interests in 57,000,000 Shares by virtue of its equity interests in BCEGI (Hong Kong) Company Limited, the subscriber of 57,000,000 Shares under a subscription agreement dated 22 August 2016.*
- (6) *This party was deemed to have interests in 57,000,000 Shares by virtue of its equity interest in Hong Kong Marine Construction Limited, the subscriber of 57,000,000 Shares under a subscription agreement dated 22 August 2016.*
- (7) *These parties were deemed to have interests in 57,000,000 Shares by virtue of their equity interests in CRCC Hong Kong Development Limited, the subscriber of 57,000,000 Shares under a subscription agreement dated 9 September 2016.*
- (8) *Central Huijin Investment Ltd, through its interests in China Construction Bank Corporation, and China Construction Bank Corporation, through its interest in (i) CCB International Overseas Limited, was deemed to be interested in the 160,000,000 Shares over which CCB International Overseas Limited had a security interest; and (ii) CCB International Capital Limited, was deemed to be interested, by way of derivative interest, in the 382,352,940 Shares, being the maximum number of Shares which CCB International Capital Limited had agreed to subscribe or procure subscribers for, pursuant to its obligations under the underwriting agreement entered into with the Company in connection with the Rights Issue.*

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director and chief executive of the Company) had or was deemed or taken to have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

3. SERVICE CONTRACTS

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

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

Save for Mr. Fung's interest in the Foundation SPA, since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, no Director was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group, and no Director was interested in any assets which have been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group since the date of the latest published audited accounts of the Company.

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

5. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any other member of the Group.

6. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the Latest Practicable Date and which are material:

- (a) the Foundation SPA dated 19 April 2016 entered into among the Company as purchaser, Fortunate Pool as vendor and Mr. Fung as guarantor in relation to the obligations, commitments and undertakings of Fortunate Pool under the Foundation SPA for an aggregate consideration of HK\$836,790,400;
- (b) the subscription agreement dated 22 August 2016 entered into among the Company as issuer and CSCEC Capital (Hong Kong) Limited as subscriber in relation to the subscription for 57,000,000 Shares at a price of HK\$4.08 per subscription Share;
- (c) the subscription agreement dated 22 August 2016 entered into among the Company as issuer and BCEGI (Hong Kong) Company Limited as subscriber in relation to the subscription for 57,000,000 Shares at a price of HK\$4.08 per subscription Share;

- (d) the subscription agreement dated 22 August 2016 entered into among the Company as issuer and Hong Kong Marine Construction Limited as subscriber in relation to the subscription for 57,000,000 Shares at a price of HK\$4.08 per subscription Share;
- (e) the subscription agreement dated 5 September 2016 entered into among the Company as issuer and 華寶信託有限責任公司 (Hwabao Trust Co., Ltd.*) (as trustee and for and on behalf of and for the benefit of 深圳市特藝達裝飾設計工程有限公司 (Shenzhen Terart Decoration Design Engineering Co., Ltd.)) as subscriber in relation to the subscription for 10,500,000 Shares at a price of HK\$4.08 per subscription Share;
- (f) the subscription agreement dated 9 September 2016 entered into among the Company as issuer and CRCC Hong Kong Development Limited 中鐵香港發展有限公司 as subscriber in relation to the subscription for 57,000,000 Shares at a price of HK\$4.08 per subscription Share;
- (g) the subscription agreement dated 9 September 2016 entered into among the Company as issuer and 華寶信託有限責任公司 (Hwabao Trust Co., Ltd.*) (as trustee and for and on behalf of and for the benefit of 蘇州金螳螂企業(集團)有限公司 (Suzhou Gold Mantis Corporation (Group) Co., Ltd.)) as subscriber in relation to the subscription for 10,500,000 Shares at a price of HK\$4.08 per subscription Share;
- (h) the subscription agreement dated 9 September 2016 entered into among the Company as issuer and 華寶信託有限責任公司 (Hwabao Trust Co., Ltd.*) (as trustee and for and on behalf of and for the benefit of 海南生達實業有限公司 (Hainan Shengda Industrial Co., Ltd.)) as subscriber in relation to the subscription for 10,500,000 Shares at a price of HK\$4.08 per subscription Share;
- (i) the shareholder's loan agreement dated 20 February 2017 entered into among the Company as borrower and HNA Finance I as lender in relation to an interest-free unsecured loan of HK\$2,750,000,000 for financing of the Top Genius Acquisition;
- (j) the underwriting agreement dated 28 March 2017 and entered into between and amongst the Company, HNA Finance I and CCB International Capital Limited in relation to the proposed issue by way of rights on the basis of two (2) rights Shares for every one (1) Share held, details of which are set out in the announcement of the Company dated 28 March 2017;
- (k) an irrevocable undertaking dated 28 March 2017 given by HNA Finance I to the Company pursuant to which HNA Finance I undertook that it will take up and pay for 2,268,331,806 rights shares under the Rights Issue, which constitute its provisional allotment of the rights shares under the Rights Issue in respect of the Shares beneficially owned by it as at the time of the giving of the undertaking;
- (l) the shareholder's loan agreement dated 5 April 2017 entered into among the Company as borrower and HNA Finance I as lender in relation to an interest-free unsecured loan of HK\$2,700 million for financing the Acquisition;

- (m) the shareholder's loan agreement dated 7 April 2017 entered into among the Company as borrower and HNA Finance I as lender in relation to an interest-free unsecured loan of HK\$3,700 million for financing the Acquisition;
- (n) the Programme Agreement dated 7 April 2017 between the Silverbell Asia Limited (the "Silverbell"), a wholly-owned subsidiary of the Company, as issuer, the Company as guarantor and the dealers named therein in relation to the basis on which Silverbell may from time to time agree to issue, and on which any of dealers may from time to time agree to subscribe, notes under the U.S.\$1,000,000,000 Medium Term Note Programme of Silverbell (the "Programme") and unconditionally and irrevocably guaranteed by the Company;
- (o) the Trust Deed dated 7 April 2017 between the Company, Silverbell and The Bank of New York Mellon, London Branch (the "Trustee") in relation to the rights and duties of the Trustee in respect of any notes issued under the Programme and by which any notes to be issued under the Programme shall be constituted;
- (p) the Agency Agreement dated 7 April 2017 (the "Agency Agreement") between the Company, Silverbell, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent, and the other agents named in it in relation to the rights and duties of such agents in respect of any notes to be issued under the Programme;
- (q) an irrevocable undertaking dated 10 April 2017 given by an existing Shareholder, Shenzhen Terart Decoration Design Engineering Co., Ltd.* (深圳市特藝達裝飾設計工程有限公司) ("Shenzhen Terart") pursuant to which Shenzhen Terart undertook that it will take up and pay for 21,000,000 rights shares under the Rights Issue, which constitute its provisional allotment of the rights shares under the Rights Issue in respect of the Shares beneficially owned by it as at the time of the giving of the undertaking;
- (r) an irrevocable undertaking dated 10 April 2017 given by an existing Shareholder, Hainan Shengda Industrial Co., Ltd.* (海南生達實業有限公司) ("Hainan Shengda") pursuant to which Hainan Shengda undertook that it will take up and pay for 21,000,000 rights shares under the Rights Issue, which constitute its provisional allotment of the rights shares under the Rights Issue in respect of the Shares beneficially owned by it as at the time of the giving of the undertaking; and
- (s) an irrevocable undertaking dated 18 April 2017 given by an existing Shareholder, Hong Kong Marine Construction Limited (香港海事建設有限公司) ("HKMCL") pursuant to which HKMCL undertook that it will take up and pay for 114,000,000 rights shares under the Rights Issue, which constitute its provisional allotment of the rights shares under the Rights Issue in respect of the Shares beneficially owned by it as at the time of the giving of the undertaking.

7. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.
- (c) The Company Secretary of the Company is Ms. Wong Suk Han, Kitty. She is a Solicitor qualified to practice in Hong Kong and a member of The Law Society of Hong Kong.
- (d) The branch share register of the Company in Hong Kong is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over its Chinese text in the case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours from 9:00 a.m. to 5:30 p.m. (save for Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the annual reports of the Company for the financial year ended 31 March 2016 and the nine months ended 31 December 2016;
- (c) the material contracts referred to in paragraph 6 of this Appendix II;
- (d) the circular of the Company dated 13 March 2017 in respect of the Top Genius Acquisition; and
- (e) this circular.