
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hong Kong International Construction Investment Management Group Co., Limited (the “**Company**”), you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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



HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

(1) CONTINUING CONNECTED TRANSACTIONS AND (2) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Company



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter from Somerley Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 34 of this circular.

A notice convening the SGM to be held at 10 a.m. on Thursday, 16 November 2017 at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case maybe). Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case maybe) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

26 October 2017

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	18
Letter from Somerley	20
Appendix — General Information	35
Notice of SGM	SGM-1

DEFINITIONS

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

“6562 Land Parcel”	the piece or parcel of ground registered in the Land Registry as New Kowloon Inland Lot No. 6562 together with the messuages erections and buildings thereon, which was held by Denco as at the Latest Practicable Date
“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, which was held by Milway as at the Latest Practicable Date
“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, which was held by Top Genius as at the Latest Practicable Date
“6565 Land Parcel”	the piece or parcel of ground registered in the Land Registry as New Kowloon Inland Lot No. 6565 together with the messuages erections and buildings thereon, which was held by HIC as at the Latest Practicable Date
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BIM”	building information modelling
“BIM Annual Caps”	the maximum aggregate value of the contract sum in respect of the provision of BIM Modelling Services and BIM Platform under the BIM Master Agreement for each financial year concerned as set out in this circular
“BIM Master Agreement”	the master agreement dated 22 September 2017 entered into between the Company (for itself and for and on behalf of the subsidiaries of the Group) and Hainan Marine Construction (for itself and for and on behalf of its subsidiaries and companies controlled by its holding companies from time to time) in relation to the provision of BIM Modelling Services and BIM Platform by members of the HNA Group to members of the Group
“BIM Modelling Services”	the preparation of BIM model, running of the conflict tests and consultation on BIM related matters
“BIM Platform”	a platform for managing, editing and searching BIM documents and BIM models

DEFINITIONS

“Board”	the board of Directors
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Denco”	Denco Properties Limited, a company incorporated in Hong Kong with limited liability and a non-wholly-owned subsidiary of HNA Group Co., Ltd.
“Director(s)”	the director(s) of the Company
“Foundation Annual Caps”	the maximum aggregate value of the contract sum in respect of the provision of foundation works by members of the Group to members of the HNA Group under the Foundation Master Agreement for each financial year concerned as set out in this circular
“Foundation Master Agreement”	the master agreement dated 22 September 2017 entered into by Tysan Foundation (for itself and for and on behalf of the subsidiaries of the Company) with Denco and HIC (for themselves and for and on behalf of their subsidiaries and companies controlled by their holding companies from time to time) in relation to the provision of foundation works by members of the Group to members of the HNA Group
“Group”	the Company and its subsidiaries
“Hainan Marine Construction”	Hainan Marine Construction Project Management Contracting Company Limited* (海南海建工程管理總承包有限公司), a company incorporated in the PRC and a non-wholly-owned subsidiary of HNA Group Co., Ltd.
“HIC”	Hongkong Island Construction Properties Co., Limited, a company incorporated in Hong Kong with limited liability and a non-wholly-owned subsidiary of HNA Group Co., Ltd.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HNA Finance I”	HNA Finance I Co., Ltd., a company incorporated in Anguilla with limited liability and an indirect subsidiary of HNA Group Co., Ltd.

DEFINITIONS

“HNA Group”	HNA Group Co., Ltd. (a company incorporated in the PRC) and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Leung Kai Cheung
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	the Shareholders other than those Shareholders who have a material interest in the transactions contemplated under each of the Foundation Master Agreement and the BIM Master Agreement (as the case may be)
“Latest Practicable Date”	Tuesday, 24 October 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Milway”	Milway Development Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and if thought fit, to approve, among other things, the Foundation Master Agreement, the Foundation Annual Caps, the continuing connected transactions thereunder and the BIM Master Agreement, the BIM Annual Caps and the continuing connected transactions thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holder(s) of Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top Genius”	Top Genius Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“Tysan Foundation”	Tysan Foundation (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a directly wholly-owned subsidiary of the Company
“%”	per cent
“*”	English translations of company names from the Chinese language are marked with “*” and are provided for identification purposes only

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. HUANG Qijun (Chairman)
Mr. ZHAO Quan (Vice Chairman
and Chief Executive Officer)
Mr. FUNG Chiu Chak, Victor (Vice Chairman)
Mr. LIU Junchun (Vice Chairman)
Mr. MU Xianyi
Mr. WONG Tai Lun Kenneth
Mr. Mung Hon Ting Jackie

Non-executive Directors

Mr. TANG King Shing
Mr. TANG Kit

Independent Non-executive Directors

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

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

26 October 2017

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the Company's announcement dated 22 September 2017 in relation to the Foundation Master Agreement and the BIM Master Agreement.

Each of the Foundation Master Agreement and the BIM Master Agreement constitutes continuing connected transactions of the Company under the Listing Rules. The purpose of this circular is to provide you with further details of the Foundation Master Agreement and the BIM Master Agreement and the general information of the Group.

II. THE FOUNDATION MASTER AGREEMENT

Date:	22 September 2017
Parties:	(1) Tysan Foundation (for itself and for and on behalf of the subsidiaries of the Company); and (2) Denco and HIC (for themselves and for and on behalf of their subsidiaries and companies controlled by their holding companies from time to time)
Subject matter:	The Foundation Master Agreement sets out the general principles for the circumstances if and when a member of the Group is awarded a contract in respect of foundation works for any properties owned by a member of the HNA Group. Formal agreement(s) in respect of such appointment will be entered into between relevant parties, which shall be on normal commercial terms or better to the Group.
Condition precedent:	The Foundation Master Agreement and the terms and conditions thereof are subject to the approval by the Independent Shareholders in accordance with the Listing Rules and (if applicable) other approval of the Stock Exchange, and if such approval is not obtained on or before 31 March 2018 (or such later date as may be agreed by the parties to the Foundation Master Agreement), the Foundation Master Agreement will automatically terminate and no party thereto shall have any claim against the other party.
Term:	Commencing from the date of the Foundation Master Agreement and ending on 31 December 2019 (both days inclusive). The implementation of the terms of the Foundation Master Agreement is subject to the satisfaction of the condition precedent mentioned above.

LETTER FROM THE BOARD

Foundation Annual Caps: The maximum aggregate value of the contract sum in respect of the provision of foundation works by the Group to the HNA Group for each of the financial years concerned under the Foundation Master Agreement shall not exceed the amounts set out below:

	<i>(HK\$' million)</i>
Financial year ending 31 December 2017:	800
Financial year ending 31 December 2018:	400
Financial year ending 31 December 2019:	400

There is no historical figure for the transactions contemplated under the Foundation Master Agreement, as the Group has not previously provided any foundation works to any member of the HNA Group.

The Foundation Annual Caps were determined with reference to (a) the current, prospective and future land parcels acquired or to be acquired by the HNA Group including but not limited to the 6562 Land Parcel and the 6565 Land Parcel; (b) the expected project costs for foundation works in respect of the current, prospective and future projects of the HNA Group including but not limited to the 6562 Land Parcel and the 6565 Land Parcel; and (c) the variation costs for the foundation works.

Denco and HIC, being members of the HNA Group acquired the land use rights over the 6562 Land Parcel and the 6565 Land Parcel, which will be developed into residential and non-industrial projects. The Buildings Department has granted consent to the commencement of foundation works for the 6562 Land Parcel and 6565 Land Parcel and the foundation works in respect of the two land parcels are expected to commence by the end of 2017. As disclosed in the circular of the Company dated 15 August 2017, the estimated costs (i.e. the contract sum for the HNA Group) for foundation works for the 6562 Land Parcel and the 6565 Land Parcel were approximately HK\$630 million. Based on the updated cost plans received by the Group for and on behalf of Denco and HIC, the costs for the foundation works for the 6562 Land Parcel and the 6565 Land Parcel have been revised to approximately HK\$800 million. The Group noted that there is an increase in the estimated costs for the foundation works for the 6562 Land Parcel and the 6565 Land Parcel having taken into account the building plans which have been submitted to the Buildings Department of the Hong Kong Government, based on which a more detailed design and plan of the projects have been prepared and more accurate estimation for the foundation costs for the 6562 Land Parcel and the 6565 Land Parcel can be ascertained. The Group's participation in the foundation works will be subject to the success in obtaining the tender for each project. The Foundation Annual Cap for the year ending 31 December 2017 was determined with reference to the tender price for foundation works for the 6562 Land Parcel and the 6565 Land Parcel submitted to the HNA Group (which was determined with reference to the costs of such foundation works plus a mark-up), whilst the Foundation Annual Caps for the two financial years ending 31 December 2018 and 31 December 2019 were determined with reference to the estimated variations which may arise from the foundation contracts for the 6562 Land Parcel and the 6565 Land Parcel and the estimated potential costs for foundation works for land parcel(s) which may be acquired by the HNA Group and potential project(s) of the HNA Group from time to time. Supplemental agreement(s) will be entered into between member(s) of the Group and Denco or HIC (as the case may be) where the subject matter of the variation is not covered in the original foundation contracts and/or if there is substantial variation in the costs as set out in the original foundation contracts. As at the Latest Practicable Date, the Directors estimated that (a) variations from foundation

LETTER FROM THE BOARD

contracts for the 6562 Land Parcel and the 6565 Land Parcel will be approximately HK\$72 million and HK\$48 million respectively for each of the two financial years ending 31 December 2019 and (b) the potential costs for foundation works for other land parcels which may be acquired by the HNA Group will be approximately HK\$328 million and HK\$352 million respectively for each of the two financial years ending 31 December 2019. Based on knowledge of the Company with reference to publicly available information, the HNA Group did not own any other land parcel in Hong Kong as at the Latest Practicable Date. The Foundation Annual Caps for each of the two financial years ending 31 December 2019 were set on the basis that in the event that the HNA Group acquires land parcel(s) of similar size to the 6562 Land Parcel/6565 Land Parcel in 2018 or 2019, the Group may subcontract or bid for foundation works for one additional land parcel in 2018 or 2019, and were set at a level equivalent to approximately half of the Foundation Annual Cap for the financial year ending 31 December 2017.

If the Foundation Annual Caps sought are too small and insufficient to cover the potential tenders for foundation works in respect of land parcels which members of the HNA Group may be successful in acquiring in the near future, the Group may be limited to submitting and/or accepting tenders for foundation works of a smaller contract sum before having to comply with the relevant requirements under the Listing Rules. As submission and/or acceptance of tenders are time sensitive, the timing required for compliance with the Listing Rules at the relevant time may mean that the Group may miss the deadline for submitting and/or accepting the tenders and may not be able to participate in the project. Therefore, the Foundation Annual Caps for the two financial years ending 31 December 2018 and 31 December 2019 were set at a level to provide flexibility to the Group to submit and/or accept tenders for foundation works outsourced by the HNA Group in addition to those for the 6562 Land Parcel and 6565 Land Parcel (subject to their terms and conditions), as and when required and therefore the Directors consider that the size of the Foundation Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Reasons and benefits of the Foundation Master Agreement and the continuing connected transactions contemplated thereunder

Each of HIC and Denco is a company incorporated in Hong Kong with limited liability and is principally engaged in property development and property holding. The HNA Group is engaged in property development in, amongst others, Hong Kong.

The Group's principal business includes property development, foundation piling and site investigation in Hong Kong and property investment and management. Tysan Foundation is a directly wholly-owned subsidiary of the Company and an investment holding company. The principal business activities of the subsidiaries of Tysan Foundation, which have been long-established players in the foundation industry in Hong Kong, are the provision of foundation piling and related works. Although the Group is stepping into other business segments such as property development and property management to expand and diversify its income stream, foundation piling still contributes significantly to the revenue of the Group, with approximately HK\$3 billion, HK\$2.1 billion and HK\$1.5 billion of segment revenues for the year ended 31 March 2016, the nine months ended 31 December 2016 and the six months ended 30 June 2017, respectively, which represented approximately 74.4%, 69.8% and 79.6% of the Group's total revenue in the respective periods.

LETTER FROM THE BOARD

If the Group is successful in obtaining the contract(s) for foundation works for the 6562 Land Parcel, the 6565 Land Parcel and/or other land parcel(s) which may be acquired by the HNA Group, having considered the scale of the foundation works for the 6562 Land Parcel and the 6565 Land Parcel, substantial income is expected to be generated for the core business segment of the Group. Furthermore, as explained in the interim results announcement for the six months ended 30 June 2017, competition in the foundation piling industry will remain keen due to the growing number of market players and reduced available projects in the near future. The Group should therefore position itself to be able to consider business opportunities as and when they arise.

As disclosed in the announcements of the Company dated 25 January 2017, 7 February 2017, 15 March 2017 and 28 March 2017 and the circulars of the Company dated 13 March 2017 and 28 April 2017, Milway and Top Genius (both being indirectly wholly-owned subsidiaries of the Group) acquired the land use rights over the 6563 Land Parcel and the 6564 Land Parcel, respectively. It was also disclosed in the announcements of the Company dated 6 July 2017 and 14 July 2017 and the circular of the Company dated 15 August 2017 that the Company (for and on behalf of other members of the Group) has entered into a master agreement (the “**Fung Master Agreement**”) with Mr. Fung Chiu Chak, Victor (for himself and on behalf of companies owned or controlled by him) (the “**Fung Group**”) in respect of, amongst others, the subcontracting of foundation works by members of the Fung Group to members of the Group from 6 July 2017 to 31 December 2019. Although it is currently expected that the foundation works for the 6562 Land Parcel and the 6565 Land Parcel owned by members of the HNA Group will be developed concurrently with the Group’s 6563 Land Parcel and 6564 Land Parcel and the Group may subcontract foundation works of the Fung Group under the Fung Master Agreement, given the size and experience of the Group’s foundation team, the Directors are of the view that the Group has sufficient capacity to carry out foundation works of the four land parcels and the foundation works to be subcontracted under the Fung Master Agreement concurrently.

In view of the above, the Directors (including the independent non-executive Directors but excluding each of Mr. Huang Qijun, Mr. Zhao Quan, Mr. Liu Junchun, Mr. Mu Xianyi, Mr. Wong Tai Lun Kenneth, Mr. Tang King Shing and Mr. Tang Kit, being Directors nominated to the Board by HNA Finance I, who were in support of the Foundation Master Agreement but had abstained from voting on the Foundation Master Agreement at the relevant Board meeting to avoid a perception of a conflict of interest) consider that the continuing connected transactions contemplated under the Foundation Master Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Foundation Master Agreement, the continuing connected transactions contemplated thereunder and the Foundation Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

III. THE BIM MASTER AGREEMENT

- Date: 22 September 2017
- Parties: (1) the Company (for itself and for and on behalf of the subsidiaries of the Company); and
- (2) Hainan Marine Construction (for itself and for and on behalf of its subsidiaries and companies controlled by its holding companies from time to time)
- Subject matter: The BIM Master Agreement sets out the general principles for the circumstances if and when a member of the Group requires the preparation of BIM models, running of conflict tests and consultation on BIM related matters (i.e. BIM Modelling Services) and/or the provision of a platform for managing, editing and searching BIM documents and BIM models (i.e. BIM Platform) by a member of the HNA Group. Formal agreement(s) in respect of such appointment will be entered into between relevant parties, which shall be on normal commercial terms or better to the Group.
- Condition precedent: The BIM Master Agreement and the terms and conditions thereof are subject to the approval by the Independent Shareholders in accordance with the Listing Rules and (if applicable) other approval of the Stock Exchange, and if such approval is not obtained on or before 31 March 2018 (or such later date as may be agreed by the parties to the BIM Master Agreement), the BIM Master Agreement will automatically terminate and no party thereto shall have any claim against the other party.
- Term: Commencing from the date of the BIM Master Agreement and ending on 31 December 2022 (both days inclusive). For details of the opinion of the Independent Financial Adviser on the duration of the BIM Master Agreement, please refer to the paragraph headed “Duration of the BIM Master Agreement” in the letter from Somerly contained in this circular.

LETTER FROM THE BOARD

BIM Annual Caps: The maximum aggregate value of the contract sum in respect of each category of works under the BIM Master Agreement shall not exceed the amounts set out below:

	BIM Modelling Services <i>(HK\$' million)</i>	BIM Platform <i>(HK\$' million)</i>
Financial year ending 31 December 2017:	4.2	0.21
Financial year ending 31 December 2018:	2.1	1.26
Financial year ending 31 December 2019:	2.1	1.26
Financial year ending 31 December 2020:	Nil	1.26
Financial year ending 31 December 2021:	Nil	1.26
Financial year ending 31 December 2022:	Nil	1.05

There is no historical figure for the transactions contemplated under the BIM Master Agreement as the Group has not previously sourced any similar services from members of the HNA Group.

The BIM Annual Caps were determined with reference to (a) the fees to be charged by service providers; (b) monthly rental of the BIM Platform to be charged by the HNA Group; and (c) the potential land parcel(s) to be acquired by the Group and/or the HNA Group (the development of which may be managed by the Group). In particular, the BIM Annual Cap for the BIM Modelling Services for the year ending 31 December 2017 is based on the tenders received for the 6562 Land Parcel, the 6563 Land Parcel, the 6564 Land Parcel and the 6565 Land Parcel, with a 10% upward allowance to cater for changes to the project plan, whilst the BIM Annual Caps for BIM Modelling Services for each of two financial years ending 31 December 2019 were set at 50% of the BIM Annual Cap for Modelling Services for the financial year ending 31 December 2017, on the basis that the Group may require BIM Modelling Services for additional land parcel(s) to be acquired by the Group and/or the HNA Group (the development of which may be managed by the Group) in each of 2018 and 2019. Similarly, the BIM Annual Caps for the BIM Platform were determined with reference to the tenders received (which provide for a breakdown for costs for the BIM Platform and the fixed monthly fees to be charged by the service provider), with a 10% upward allowance. In addition, the BIM Annual Caps for the BIM Platform for the five financial years ending 31 December 2022 include an allowance for BIM Platform services for potential future land parcel(s) which may be acquired by the Group and/or the HNA Group (the development of which may be managed by the Group).

LETTER FROM THE BOARD

Reasons for and benefits of the BIM Master Agreement and the continuing connected transactions contemplated thereunder

The Group's principal business includes property development, foundation piling and site investigation in Hong Kong and property investment and management. Hainan Marine Construction is a company incorporated in the PRC and engages in, amongst others, the provision of BIM Modelling Services and/or BIM Platform.

BIM is a three-dimensional model-based software programme for creating and managing information on a property development project across the project lifecycle for more efficient plan, design, construction and management for property development projects, which is a commonly used programme in the construction industry in the PRC and is commonly used by developers in Hong Kong for more complicated projects. As mentioned above, Milway and Top Genius (both being indirectly wholly-owned subsidiaries of the Group) acquired the land use rights over the 6563 Land Parcel and the 6564 Land Parcel respectively and as disclosed in the announcement of the Company dated 6 July 2017 and the circular of the Company dated 15 August 2017, Gainful Engineering Limited (an indirectly wholly-owned subsidiary of the Company) was appointed as the sole agent to develop the 6562 Land Parcel and the 6565 Land Parcel. The Group will develop its 6563 Land Parcel and 6564 Land Parcel, manage the development of the 6562 Land Parcel and 6565 Land Parcel, and may develop and/or manage the development of other land parcel(s) which may be acquired by the Group and/or the HNA Group from time to time. Having considered the scale of the development of each of the four land parcels, applying the BIM technology into the project development for the aforesaid land parcels enables the Group to identify potential conflicts which may occur in a property development project at an earlier stage, and thus allows the Group to reduce risks, optimise actions and avoid delays in property development projects.

The general building plans regarding the four land parcels were submitted to the Buildings Department of the Hong Kong Government for approval in August 2017, and approval is expected to be obtained in the first quarter of 2018. The Group currently does not have the expertise in BIM system, and if the Group were to develop its own BIM model and platform, significant time and costs will be incurred and the BIM system may not be developed in time to be used for the development of the projects in hand. Therefore, the Directors consider that it would be more efficient and practicable to engage third-party providers for BIM related services instead of developing the BIM technology on its own.

If the BIM Master Agreement is approved by the Independent Shareholders, this will allow the Group to consider the HNA Group as a potential provider of BIM Modelling Services and BIM Platform as and when those needs arise, instead of seeking approval at that time, which may lead to unnecessary delays in the project planning stage. As set out under the paragraph headed "Internal Control" below, the Group will only engage the HNA Group for the provision of BIM Modelling Services and BIM Platform for each land parcel if prices and terms of such works and/or services are no less favourable than that offered by independent third parties. The Directors (including the independent non-executive Directors but excluding each of Mr. Huang Qijun, Mr. Zhao Quan, Mr. Liu Junchun, Mr. Mu Xianyi, Mr. Wong Tai Lun Kenneth, Mr. Tang King Shing and Mr. Tang Kit, being Directors nominated to the Board by HNA Finance I, who are in support of the BIM Master Agreement but had abstained from voting on the BIM Master Agreement at the relevant Board meeting to avoid

LETTER FROM THE BOARD

a perception of a conflict of interest) consider that the continuing connected transactions contemplated under the BIM Master Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the BIM Master Agreement, the continuing connected transactions contemplated thereunder and the BIM Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IV. INTERNAL CONTROL

The Company has put in place internal control procedures to ensure that individual transactions under the Foundation Master Agreement and BIM Master Agreement will be conducted in accordance with the terms of the respective agreements. In order to ensure that the terms provided by the HNA Group under the Foundation Master Agreement and the BIM Master Agreement are on normal terms or on terms no less favourable than those offered by an independent third party, the Group will follow the following proposed pricing policy and tender selection procedure.

Foundation Master Agreement

If the terms and conditions of a tender invitation from the HNA Group are acceptable to the Group, and the Group wishes to submit a tender for the foundation works, a quantity surveyor from the estimating department of the Group's foundation division will prepare a draft tender. The quantity surveyor will take into account the scale of the project and the Group's experience in carrying out similar scope of work to assess whether the Group has the capability and capacity to undertake the relevant project as well as the number of projects undertaken by the Group at the relevant time and the use of resources (including equipment and manpower) in preparation of the tender. The draft tender will be reviewed by the estimating manager or the director of the estimating department. Depending on the relevant contract sum of the draft tender, the estimating manager or the director of the estimating department will submit the draft tender calculated based on the costs plus a mark-up with reference to the set of procedures of the Company to the President of the Foundation Division of the Group, a director of Tysan Foundation and/or a director of the subsidiaries of Tysan Foundation for approval. The estimating manager holds a Bachelor's Degree of science in quantity surveying and has over 23 years of experience in quantity surveyor field and the director of the estimating department holds a higher diploma in Civil Engineering and a Bachelor's Degree in laws, joined the Group in June 1994 and has over 25 years of experience in building and foundation works.

As disclosed in the announcement of the Company dated 13 October 2017, the Group has, together with Hisea International Co., Ltd. (a wholly-owned subsidiary of HNA Holding Group Co., Ltd.) established HKICIM Fund II, L.P. (the "**Fund**"), whose purpose is primarily to (amongst others) invest in the 6565 Land Parcel, with a view to generate income and capital appreciation. As an investor, the Fund will not be involved in the operation and property development of the 6565 Land Parcel. The Group as both investor and potential tenderer for foundation services in connection with 6565 Land Parcel does not face a material conflict of interest. The foundation team of the Group is led by persons experienced in foundation works and who are experienced in costing and estimating their tenders, whilst the fund team within the Group has no role in the operation and property development of the 6565 Land Parcel.

LETTER FROM THE BOARD

BIM Master Agreement

The procurement committee of the Group's property development division will select three to five companies to submit tenders based on the relevant experience, reputation and the capabilities of the companies. Upon receiving the tenders submitted by the selected companies, a project director and a manager from the contracts department will be responsible for reviewing and analysing the tenders received. Subsequently, the procurement committee will complete the tender report and make relevant suggestion to the Vice President of Operations of the Group and the award of the tender will have to be approved by the Chief Executive Officer of the Company. The technical part of the tender will be assessed by the project director who has 24 years of related working experience and holds a Master's Degree in Town Planning, a Bachelor's Degree in Town Planning and is a Professional Member of the Royal Town Planning Institute, whilst the commercial part of the tender will be assessed by the contracts manager who has 23 years of related working experience and holds a Master's Degree in Real Estate, a Bachelor's Degree in Quantity Surveying and is a Professional Member of the Royal Institution of Chartered Surveyors.

Monitoring the Foundation Annual Caps and the BIM Annual Caps

Further, the operations department of the Group will keep track of the actual contract sum of subcontracting works under the Foundation Master Agreement and the BIM Master Agreement from time to time to ensure that the aggregate value of such contract sums will not exceed the Foundation Annual Caps and the BIM Annual Caps, respectively. Prior to entering into individual transactions with members of the HNA Group, details of such proposed transactions including the relevant agreements, will be provided to the finance and accounts department and the company secretarial department of the Company for their review. The agreement in respect of such proposed transactions will not be executed unless and until the above departments of the Company have confirmed that the aggregate value of the contract sums (including the contract sum of the proposed transaction) under the Foundation Master Agreement and/or the BIM Master Agreement will not exceed the Foundation Annual Caps and/or the BIM Annual Caps, as the case may be. If it is contemplated that the Foundation Annual Caps and/or the BIM Annual Caps will be exceeded as a result of entering into the proposed transaction, such transaction will not be entered into until the Company has complied with the relevant requirements under the Listing Rules.

On the basis of the above, the Directors are of the view that the Group has adequate internal control procedures in place to ensure that individual transactions under the Foundation Master Agreement and the BIM Master Agreement are conducted in accordance with the terms of the Foundation Master Agreement and/or the BIM Master Agreement.

V. LISTING RULES IMPLICATIONS

HNA Finance I, the controlling shareholder of the Company, is a member of the HNA Group. Each of Denco, HIC and Hainan Marine Construction is a non-wholly-owned subsidiary of HNA Group Co., Ltd. and each of the parties to the Foundation Master Agreement and the BIM Master Agreement (other than Tysan Foundation and the Company) are also members of the HNA Group and are therefore connected persons of the Company under Chapter 14A of the Listing Rules. The transactions between members of the Group and members of the HNA Group will therefore constitute

LETTER FROM THE BOARD

continuing connected transactions of the Company. The Company has taken into account that, pursuant to Rule 14A.81 of the Listing Rules, the Foundation Master Agreement and the BIM Master Agreement may be aggregated given the counterparties are all members of the HNA Group and the services to be provided are in relation to, amongst others, the 6562 Land Parcel, the 6565 Land Parcel and any land parcel(s) which may be acquired by the HNA Group. Since one or more of the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in relation to the Foundation Annual Caps and the BIM Annual Caps (on an aggregated basis) are more than 5%, the transactions contemplated under the Foundation Master Agreement and the BIM Master Agreement will therefore constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. OTHER INFORMATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Leung Kai Cheung, has been established to advise the Independent Shareholders as to whether the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps) are in the interests of the Company and the Shareholders as a whole, and whether they are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

Somerley has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps).

The SGM will be convened and held for the purpose of considering and, if though fit, approving the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps). In view of the interests of HNA Finance I in the Foundation Master Agreement and the BIM Master Agreement, HNA Finance I and its associates (who as at the Latest Practicable Date were interested in 2,540,222,144 Shares, representing approximately 74.66% of the issued Shares) shall abstain from voting in respect of the resolutions relating to the Foundation Master Agreement, the continuing connected transactions contemplated thereunder and the Foundation Annual Caps, the BIM Master Agreement, the continuing connected transactions contemplated thereunder and the BIM Annual Caps at the SGM.

VII. SGM

A notice convening the SGM to be held at 10 a.m. on Thursday, 16 November 2017, at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong is set out on pages SGM-1

LETTER FROM THE BOARD

to SGM-3 of this circular for the purposes of considering and, if thought fit, approving the Foundation Master Agreement, the continuing connected transactions contemplated thereunder, the Foundation Annual Caps, the BIM Master Agreement, the continuing connected transactions contemplated thereunder and the BIM Annual Caps.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. 10 a.m. on Tuesday, 14 November 2017) or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

For the purpose of the SGM, in order to qualify for attending and voting at the SGM, duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 10 November 2017. The Register of Members of the Company will be closed from Monday, 13 November 2017 to Thursday, 16 November 2017 (both dates inclusive), during which period no transfer of Shares will be registered.

VIII. RECOMMENDATION

Having noted and considered the reasons stated under the section headed "Reasons for and benefits of the Foundation Master Agreement and the continuing connected transactions contemplated thereunder" and "Reasons for and benefits of the BIM Master Agreement and the continuing connected transactions contemplated thereunder", the Directors (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps). You are advised to read the letter from the Independent Board Committee and the letter from Somerley mentioned above before deciding how to vote on the resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

IX. 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**
Huang Qijun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps).



HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

26 October 2017

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 26 October 2017 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to consider the terms of the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps) and to advise the Independent Shareholders as to whether they are fair and reasonable, whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group and whether they are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 20 to 34 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinions of the Independent Financial Adviser as set out in its letter of advice, we consider that the Foundation Master Agreement (including the continuing connected transactions contemplated

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the entering into of the Foundation Master Agreement and the BIM Master Agreement are in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps), particulars of which are set out in the Notice of SGM set out on pages SGM-1 to SGM-3 of the Circular.

Yours faithfully,

Independent Board Committee

Mr. Fan Chor Ho Mr. Tse Man Bun Mr. Lung Chee Ming, George

Mr. Li Kit Chee Mr. Leung Kai Cheung

Independent non-executive Directors

LETTER FROM SOMERLEY

The following is the text of the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

26 October 2017

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the terms and conditions of (i) the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and (ii) the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps) (collectively, the “**Continuing Connected Transactions**”), details of which are contained in the circular of the Company to the Shareholders dated 26 October 2017 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

HNA Finance I, the controlling shareholder of the Company, is a member of the HNA Group. Each of Denco, HIC and Hainan Marine Construction is a non-wholly-owned subsidiary of HNA Group Co., Ltd. and each of the parties to the Foundation Master Agreement and the BIM Master Agreement (other than Tysan Foundation and the Company) are also members of the HNA Group and are therefore connected persons of the Company under Chapter 14A of the Listing Rules. The transactions between members of the Group and members of the HNA Group will therefore constitute continuing connected transactions for the Company. The Company has taken into account that pursuant to Rule 14A.81 of the Listing Rules, the Foundation Master Agreement and the BIM Master Agreement may be aggregated given the counterparties are all members of the HNA Group and the services to be provided are in relation to, amongst others, the 6562 Land Parcel, the 6565 Land Parcel and any land parcel(s) which may be acquired by the HNA Group. Since one or more of the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in relation to the Foundation Annual Caps and the BIM Annual Caps (on an aggregated basis) are more than 5%, the transactions contemplated under the Foundation Master Agreement and

LETTER FROM SOMERLEY

the BIM Master Agreement will therefore constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Huang Qijun, Mr. Zhao Quan, Mr. Liu Junchun, Mr. Mu Xianyi, Mr. Wong Tai Lun Kenneth, Mr. Tang King Shing and Mr. Tang Kit, being Directors nominated to the Board by HNA Finance I, has abstained from voting on the relevant resolutions approving (i) the Foundation Master Agreement and the continuing connected transactions contemplated thereunder and (ii) the BIM Master Agreement and the continuing connected transactions contemplated thereunder at the relevant Board meeting.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Leung Kai Cheung, has been established to advise the Independent Shareholders as to whether the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps) are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley has acted as an independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the project development agreements in respect of the 6562 Land Parcel and the 6565 Land Parcel and the framework agreement governing subcontracting works between the Group and its connected persons, details of which are set out in the circular of the Company dated 15 August 2017. Under the past engagement, Somerley received normal professional fees from the Company.

As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, Denco, HIC, Hainan Marine Construction and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that such information, facts and opinions were true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have sought and received confirmation from the Directors that all material relevant information has been supplied to us and no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been omitted or withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business, affairs and financial position of the Group, Denco, HIC, Hainan Marine Construction and their respective subsidiaries and associates, nor have we carried out any independent verification of the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the Foundation Master Agreement and the BIM Master Agreement, we have taken the following principal factors and reasons into consideration:

1. Information on the parties and recent developments

The Group

The Group is principally engaged in property development, foundation piling and site investigation, and property investment and management. Shares of the Company have been listed on the Stock Exchange since 1991. Tysan Foundation, a directly wholly-owned subsidiary of the Company, is a long-established participant in the foundation industry in Hong Kong and the largest contributor to the Group's revenue. The foundation piling segment recorded a revenue of approximately HK\$3.0 billion, HK\$2.1 billion and HK\$1.5 billion for the year ended 31 March 2016, the nine months ended 31 December 2016 and the six months ended 30 June 2017, respectively, which represented approximately 74.4%, 69.8% and 79.6% of the Group's total revenue in the respective periods.

The HNA Group

The HNA Group is a major PRC-based conglomerate encompassing the core divisions of aviation, hospitality, tourism, real estate, retail, finance, logistics, shipbuilding and eco-tech. HNA Finance I, a member of the HNA Group, acquired a controlling interest of the Company in 2016. HIC, Denco and Hainan Marine Construction, being the parties to the Foundation Master Agreement or the BIM Master Agreement, are also members of the HNA Group. Each of HIC and Denco is a company incorporated in Hong Kong with limited liability and is principally engaged in property development and property holding, and Hainan Marine Construction is a company incorporated in the PRC engaged in, amongst others, the provision of BIM Modelling Services and BIM Platform services.

Recent developments

Since HNA Finance I became the controlling shareholder of the Company in 2016, the Group, together with HNA Group, has pursued a strategy to expand its business in the Hong Kong property development sector. In particular, the Group has successfully acquired two land parcels in Kai Tak, Kowloon, Hong Kong, being the 6563 Land Parcel and the 6564 Land Parcel, for an aggregate consideration of approximately HK\$13.0 billion. Separately, HNA Group, through HIC and Denco, has successfully acquired two other land parcels in Kai Tak, being the 6562 Land Parcel and the 6565 Land Parcel, for an aggregate consideration of approximately HK\$14.2 billion.

In July 2017, Gainful Engineering Limited (“**Gainful**”), an indirectly wholly-owned subsidiary of the Company, was appointed by each of HIC and Denco as the sole agent to develop the 6562 Land Parcel and the 6565 Land Parcel respectively, in accordance with, among others, the conditions of the respective project development agreements.

LETTER FROM SOMERLEY

Based on the current timetable, the project duration for each of the 6563 Land Parcel, the 6564 Land Parcel, the 6562 Land Parcel and the 6565 Land Parcel (together, the “**Land Parcels**”) is estimated by the owners of the relevant land parcel to be approximately 5 years. Under the relevant government grants, the Land Parcels should be developed into buildings which shall be completed and made fit for occupation between December 2021 and June 2022. The Buildings Department has granted consent to the commencement of foundation works for the 6562 Land Parcel and the 6565 Land Parcel and the foundation and superstructure works are expected to commence by the end of 2017 and the first quarter of 2019 respectively.

2. Background to and reasons for the Continuing Connected Transactions

(i) The Foundation Master Agreement

As discussed above, the HNA Group has successfully bid for the 6562 Land Parcel and the 6565 Land Parcel, and the associated foundation works are expected to commence by the end of 2017. The tendering processes for the foundation works related to each of the 6562 Land Parcel and the 6565 Land Parcel is currently ongoing, and the Group has submitted bids to undertake the foundation works for each of the above land parcels.

If the Group is successful in obtaining the contract(s) for foundation works for the 6562 Land Parcel, the 6565 Land Parcel and/or other land parcel(s) to be acquired by the HNA Group, a significant amount of revenue is expected to be recognised by the Group in coming financial years. As set out in the letter from the Board in the Circular and the Group’s 2017 interim report, competition in the foundation piling industry will remain keen due to the growing number of market players and reduced available projects in the near future. The Group therefore needs to prudently position itself to be able to consider new business opportunities as and when they arise.

In view of the above and having considered the size and experience of the Group’s foundation team, the Foundation Master Agreement will facilitate the Group’s operation. It will give the Group the opportunity to capture new potential foundation business, which is the Group’s core competency, from the HNA Group as such opportunities arise and will govern the basis upon which formal agreements for foundation works will be entered into for the three years ending 31 December 2019.

(ii) The BIM Master Agreement

BIM is a process that allows for the modelling and management of data relevant to the design, operation and maintenance and construction of a building. Essentially a shared knowledge resource, BIM facilitates the generation and sharing of information between professionals involved in a property development project. BIM uses specific software to achieve this, which organises and manages the documents and processes that are generated and used in the course of a property development project. As set out in the letter from the Board in the Circular, BIM is a commonly used programme in the construction industry in the PRC and is also used by developers in Hong Kong for more complicated projects. The HNA Group has developed a software for BIM Platform services. We understand from

LETTER FROM SOMERLEY

management of the Group that the HNA Group has used and deployed BIM Modelling Services for its own project development activities in the PRC, and has built up a team of approximately 100 professionals who have relevant expertise in this area. The Group has not used BIM services in the past.

As mentioned above, members of the Group have acquired the 6563 Land Parcel and the 6564 Land Parcel and Gainful was appointed as the sole agent to develop the 6562 Land Parcel and the 6565 Land Parcel. The Group expects to use BIM technology to manage the development of the Land Parcels and potentially other land parcel(s) which may be acquired by the Group and/or the HNA Group from time to time. Having considered the scale of the development of each of the Land Parcels, applying the BIM technology for the project development will assist the Group to identify potential problems at an earlier stage, allowing the Group to reduce risks and avoid delays.

The Group currently does not have expertise in the application of BIM, and management of the Group considers that the deployment of BIM requires relevant software as well as the provision of BIM related services in order to integrate BIM with existing project management plans and processes. If the Group were to develop its own BIM models and platform, significant time and costs will be incurred and the BIM system may not be developed in time to be used for the development of the projects in hand. Therefore, the Directors consider it would be more efficient and practicable to engage third-party service providers for BIM related services instead of developing the BIM technology on its own. The BIM Master Agreement has been entered into to allow the Group to consider the HNA Group as one of the potential providers of BIM Modelling Services and BIM Platform as and when needed, instead of seeking approval at that time, which may lead to unnecessary delays at project planning stage, and to govern the aforementioned services during the six financial years ending 31 December 2022.

3. Principal terms

Set out below are the principal terms of the Foundation Master Agreement and the BIM Master Agreement to which we would like to draw the attention of the Independent Shareholders. For further details of the Foundation Master Agreement and the BIM Master Agreement, please refer to the letter from the Board in the Circular.

(i) The Foundation Master Agreement

The Foundation Master Agreement has been entered into on 22 September 2017 between Tysan Foundation (for itself and for and on behalf of the subsidiaries of the Company) and Denco and HIC (for themselves and for and on behalf of their subsidiaries and companies controlled by their holding companies from time to time), and commencing from the date of the Foundation Master Agreement and ending on 31 December 2019 (both days inclusive). It sets out the general principles if and when a member of the Group is awarded a contract in respect of foundation works for any properties owned by the HNA Group.

The Foundation Master Agreement and the terms and conditions thereof are subject to the approval by the Independent Shareholders in accordance with the Listing Rules and (if applicable) other approval of the Stock Exchange, and if such approval is not obtained on or before 31 March 2018

LETTER FROM SOMERLEY

(or such later date as may be agreed by the parties to the Foundation Master Agreement), the Foundation Master Agreement will automatically terminate and no party thereto shall have any claim against the other party. The implementation of the terms of the Foundation Master Agreement is subject to the satisfaction of the condition precedent mentioned above.

Pursuant to the Foundation Master Agreement, if and when a member of the Group is awarded or appointed a contract in respect of foundation works for any properties owned by the HNA Group, the relevant parties shall enter into a formal agreement in respect of such appointment, which shall be on normal commercial terms or better to the Group.

The provision of foundation works by the Group to the HNA Group pursuant to the Foundation Master Agreement is subject to the Foundation Annual Caps, further details of which are discussed in the section headed “The annual caps”. The Group’s participation in the foundation works will be subject to success fully obtaining the tender for each project. As confirmed with the Company, a bid for the relevant foundation works will only be submitted if, in the opinion of the Group, the terms and conditions of a tender invitation from the HNA Group are acceptable. The Group has no obligation under the Foundation Master Agreement to evaluate or submit bids for any foundation work for properties owned by the HNA Group.

Internal controls, processes and pricing

Management of the Group has confirmed to us that (i) any foundation works to be carried out by the Group under the Foundation Master Agreement would be subject to the HNA Group having conducted a tendering process for such works, and the Group having been awarded such tender, and (ii) any bids submitted to the HNA Group pursuant to a tendering process conducted by the HNA Group would be prepared on the same bases as those for independent third parties.

The Group has in place written tender policies for the purpose of submitting bids for foundation tenders, which also apply to tendering processes involving companies owned or controlled by the HNA Group. In case the HNA Group invites parties, including the Group, to submit a bid for foundation works, the Group will evaluate the requirements of the tender on the basis of the tender document (the “**Tender Document**”) provided by the HNA Group, and assess the Group’s capability and capacity to perform the required works (including human, infrastructure and equipment resources). A quantity surveyor from the estimating department of the Group’s foundation division will consider factors such as the Group’s capability and capacity to perform the required construction for the purpose of preparing the bid to be submitted to the HNA Group. Such bid will be prepared on the basis of costs plus a mark-up, with reference to the work items in the Tender Document. The costs for such work items where the Group has relevant capabilities itself are calculated based on the Group’s own costs for delivering and/or providing such work items, by reference to the Group’s database for comparable types of services or similar projects conducted with independent third parties at present or in the past. As regards the costs for such work items where the Group chooses to sub-contract, quotations will be sought from relevant subcontractors from the approved list of subcontractors maintained by the Group. The bid will be reviewed by the estimating manager or the director of the estimating department.

LETTER FROM SOMERLEY

Depending on the relevant contract sum of the tender, the estimating manager or the director of the estimating department will submit the bid to the President of the Foundation Division of the Group, a director of Tysan Foundation and/or a director of the subsidiaries of Tysan Foundation for approval, before the Group submits the bid to the HNA Group.

We have discussed with management of the Group the process described above and aspects of the Tender Documents in respect of the 6562 Land Parcel and the 6565 Land Parcel, including tender amounts, breakdown of the bid figure, including relevant internal tender analysis documents for the selection of subcontractors, where applicable, and the relevant internal preparation documents regarding the submission of bids. We note from the relevant approval documents that the above two bids have been approved as set out in the internal control documents, and we did not note any deviation from the relevant compliance requirements in the internal control documents, nor did we note any other irregularities. In addition, we have reviewed the expected profit margins in respect of the two bids, and note that they are higher than the overall profitability margin of Tysan Foundation, based on its consolidated management accounts for the eight months ended 31 August 2017 which we have reviewed. Based on discussions with management of the Group we understand that profit margins on foundation projects are set with reference to various factors including the anticipated scale, complexity and risk of the project, and taking into account market competition. Based on the above, we did not note any deviation from the relevant compliance requirements under the internal control policies, nor do we note any other irregularities in the abovementioned samples. We have reviewed the relevant policies for foundation tenders, and have received confirmation from management of the Group that they have been, and will continue to be, followed.

(ii) The BIM Master Agreement

The BIM Master Agreement has been entered into on 22 September 2017 between the Company (for itself and for and on behalf of the subsidiaries of the Company) and Hainan Marine Construction (for itself and for and on behalf of its subsidiaries and companies controlled by its holding companies from time to time), commencing from the date of the BIM Master Agreement and ending on 31 December 2022 (both days inclusive). It sets out the general principles for the circumstances when a member of the Group requires the preparation of BIM models, running of conflict tests and consultation on BIM related matters (i.e. BIM Modelling Services) and/or the provision of a platform for managing, editing and searching BIM documents and BIM models (i.e. BIM Platform) from a member of the HNA Group.

BIM Modelling Services primarily relate to technical modelling capabilities that are predominantly required during the initial planning and designing phase of a property development project, while the BIM Platform would be used across the entire property development project lifecycle in order to manage processes, documentation, timelines, and milestones, between various stakeholders and involved parties. Any such services to be provided by the HNA Group under the BIM Master Agreement would be subject to the HNA Group being awarded the tender following a tendering process, as further set out below. The Group has no obligation to grant any contracts for BIM related services to members of the HNA Group. Formal agreement(s) in respect of such appointment will be entered into between relevant parties, which shall be on normal commercial terms or better to the Group.

LETTER FROM SOMERLEY

The BIM Master Agreement and the terms and conditions thereof are subject to the approval by the Independent Shareholders in accordance with the Listing Rules and (if applicable) other approval of the Stock Exchange, and if such approval is not obtained on or before 31 March 2018 (or such later date as may be agreed by the parties to the BIM Master Agreement), the BIM Master Agreement will automatically terminate and no party thereto shall have any claim against the other party.

The provision of BIM Modelling Services and/or BIM Platform by the HNA Group to the Group pursuant to the BIM Master Agreement are subject to the BIM Annual Caps, further details of which are discussed in the section headed “The annual caps”.

Internal controls, processes and pricing

In respect of the BIM Modelling Services and BIM Platform, the Group will only engage the HNA Group for the provision of BIM Modelling Services and BIM Platform if prices and terms of such works and/or services are no less favourable than those offered by independent third parties and, in the opinion of the Group, the HNA Group represents the most suitable candidate to provide such services after a formal tendering and evaluation process.

In each instance where BIM Modelling Services and/or BIM Platform services are needed, the Group will formalise the scope of requirements for such software in a tender document. Subsequently, the procurement committee of the Group’s property development division will select three to five companies to request tender submissions based on relevant experience, reputation and the capabilities of the companies. Upon receiving the bids submitted by the selected companies, a project director and a manager from the contracts department of the Group will be responsible for reviewing and analysing the bids received. The procurement committee of the Group’s property development division will then consider each of the tenderers’ pricing proposals, their ability to complete the works according to the construction schedule, and their ability to meet the required specification. All tender information will be collated and quotations will be discussed with the tenderers, which will be summarised in a tender analysis report. Subsequently, the procurement committee of the Group’s property development division will finalise the tender analysis report and make a recommendation to the Vice President of Operations of the Group. The award of the tender will have to be approved by Mr. Zhao Quan, the Chief Executive Officer of the Company.

We consider the above internal controls and processes are suitable for the tendering process in the context of the BIM Master Agreement, in particular in light of the requirement to source quotations from three to five companies. We have reviewed the relevant internal control policies relating to the tendering processes for BIM related services, and have received confirmation from management of the Group that they have been, and will continue to be, followed.

4. The annual caps

Historical transactions

The Group has not previously provided any foundation works to any members of the HNA Group, and has not sourced any BIM related services from any members of the HNA Group.

LETTER FROM SOMERLEY

Assessment of the annual caps

(i) The Foundation Annual Caps

The Foundation Annual Caps are HK\$800 million, HK\$400 million and HK\$400 million for the financial years ending 31 December 2017, 31 December 2018 and 31 December 2019, respectively.

The Foundation Annual Caps were determined with reference to (a) the current, prospective and future land parcels acquired or to be acquired by the HNA Group including but not limited to the 6562 Land Parcel and the 6565 Land Parcel; (b) the expected project costs for foundation works in respect of the current, prospective and future projects of the HNA Group including but not limited to the 6562 Land Parcel and the 6565 Land Parcel; and (c) possible variation of costs for the relevant foundation works. As described above, any participation in the foundation works by the Group for any properties owned by a member of the HNA Group will be subject to successfully obtaining the relevant tender.

Foundation Annual Cap for the financial year ending 31 December 2017

As disclosed in the circular of the Company dated 15 August 2017, the estimated costs (i.e. the contract sum for the HNA Group) for foundation works for the 6562 Land Parcel and the 6565 Land Parcel were approximately HK\$630 million in aggregate. Based on the updated cost plans received by the Group for and on behalf of Denco and HIC, the revised estimated foundation costs for the 6562 Land Parcel and the 6565 Land Parcel were close to HK\$800 million in aggregate. According to management of the Group, the above increased cost estimate is due to the general building plans having been completed and submitted to the Buildings Department of the Hong Kong Government, and therefore a more detailed design and plan of the projects are available and a more accurate estimation for the foundation costs for the 6562 Land Parcel and the 6565 Land Parcel can be ascertained. The Foundation Annual Cap for the financial year ended 31 December 2017 was determined with reference to the tender price for foundation works for the 6562 Land Parcel and the 6565 Land Parcel submitted to the HNA Group (which was determined with reference to the costs of such foundation works plus a mark-up). Such tender price was part of the tender documents submitted, and we have discussed with management of the Group the composition of such tender price, and the basis for setting it.

Foundation Annual Cap for the two financial years ending 31 December 2019

The Annual Caps for 2018 and 2019 include an estimate on variation amounts relating to the foundation work for the 6562 Land Parcel and the 6565 Land Parcel. Management of the Group has confirmed that the above foundation contracts are re-measurement contracts, which means that the final contract sums may be revised, on the basis of any variances between the parameters set out in the tender document and the subsequent actual construction work undertaken. To cater for this, management of the Group has made reference to estimates for re-measurement allowances based on external, third party quantity surveyors and the updated cost plans for the 6562 Land Parcel and the 6565 Land Parcel. Such variance estimation is approximately HK\$72 million and HK\$48 million for each of the Annual Caps for 2018 and 2019, respectively.

In addition to the above, the Annual Caps for 2018 and 2019 include an allowance for the Group undertaking foundation works in respect of future projects of the HNA Group, to the amount of

LETTER FROM SOMERLEY

approximately HK\$328 million and HK\$352 million for 2018 and 2019, respectively. As confirmed by management of the Group, the HNA Group is engaged in property development in Hong Kong. We note from the website of the Lands Department of Hong Kong that, under its land sale programme, residential and commercial plots of land estimated to be available up to March 2018 include 11 sites at Kai Tak, Kowloon and 16 sites in other areas of Hong Kong, indicating a substantial number of potential upcoming tenders in the vicinity of the existing Land Parcels. The 6562 Land Parcel and the 6565 Land Parcel are the first two major acquisitions of land parcels in Hong Kong by the HNA Group in recent years and we concur with the Group that it would be difficult to accurately predict the future land bidding pattern of the HNA Group, similar to the difficulties faced by most other businesses to accurately predict future purchases from customers. Having said that, the acquisition of the two Land Parcels by the HNA Group, with aggregate land costs and estimated development costs in excess of HK\$20 billion, shows its appetite for Hong Kong property development projects. Accordingly, the Group considers that it is probable that there would be future foundation work opportunities available to the Group which could be conducted under the Foundation Master Agreement, subject to future tendering processes. We concur with the above, and consider that the Group should be allowed to participate in such future opportunities, in a timely manner (see below analysis on time sensitivity for tenders), as and when they arise.

While it is difficult to arrive at an accurate estimate of future foundation works to be provided to the HNA Group for future land plots, we do not consider the relevant cap amounts excessive given they are not substantial when compared to the scale of operation of the Group. The above estimations of approximately HK\$328 million and HK\$352 million for the year 2018 and 2019 respectively represent, approximately, (i) the foundation work in respect of one land plot with a size similar to the 6562 Land Parcel and the 6565 Land Parcel (which together have a budget for foundation work close to HK\$800 million), or (ii) 8% to 9% of the latest published 12-month revenue of the Group of approximately HK\$4,057 million for the financial year ended 31 March 2016, or 11% to 12% of the latest published 12-month revenue from foundation piling segment during the same period.

It would be difficult for the Group to comply with relevant Listing Rule requirements (including approval by Independent Shareholders, if applicable) only after being invited for future foundation tenders, due to the fact that submission and/or acceptance of tenders are time sensitive, and that compliance with Listing Rules at a later stage means that the Group may miss the deadline for submitting bids and/or accepting tenders. The Group has already submitted bids to undertake the foundation works for the 6562 Land Parcel and the 6565 Land Parcel, which is subject to the approval from the Independent Shareholders. According to the management of the Group, (i) the time period from tender invitation to close of tender acceptance is normally two to four weeks, which is shorter than the usual time required for the Group's compliance with the relevant Listing Rule requirements to obtain approval from Independent Shareholders, and (ii) it is not the industry practice to make a bid conditional upon approval from a bidder's shareholders. We are of the view that the ability to make a bid without a condition for shareholders' approval would be an important commercial consideration for the tenderer and, all else being equal, a bid not requiring bidder's shareholders' approval (which is usually not under the bidder's control) would be more favoured. The same rationale also applies to the continuing connected transactions between the Group and companies owned or controlled by Mr. Victor Fung regarding sub-contracting of works between the two groups, as detailed in the circular of the Company dated 15 August 2017 and as approved by the independent Shareholders on 4 September 2017.

LETTER FROM SOMERLEY

Based on (i) the successful track record of the HNA Group in acquiring land plots for residential or commercial development in Hong Kong, (ii) the future availability of land plots, especially in the Kai Tak area, shown in the land sale programme of the Lands Department of Hong Kong, (iii) the Foundation Annual Caps not being considered excessive compared to the scale of operation of the Group, (iv) the fact that submission and/or acceptance of tenders are time sensitive and require swift action by the Group; and (v) the keen competition in the foundation piling business, the Group's core competency, suggesting that the Group should position itself for possible future foundation related business opportunities as and when they arise, we consider it reasonable for the Group to provide for the eventuality of being awarded a foundation works tender in respect of future land parcels which may be acquired by the HNA Group.

(ii) The BIM Annual Caps

The BIM Annual Caps cover both BIM Modelling Services and BIM Platform services. The proposed annual caps are set out below:

	BIM Modelling Services <i>(HK\$ million)</i>	BIM Platform <i>(HK\$ million)</i>
Financial year ending 31 December 2017:	4.2	0.21
Financial year ending 31 December 2018:	2.1	1.26
Financial year ending 31 December 2019:	2.1	1.26
Financial year ending 31 December 2020:	Nil	1.26
Financial year ending 31 December 2021:	Nil	1.26
Financial year ending 31 December 2022:	Nil	1.05

When formulating the proposed annual caps, the Group made reference to (a) the fees to be charged by service providers; (b) monthly rental of the BIM Platform to be charged by the HNA Group; and (c) the potential land parcel(s) to be acquired by the Group and/or the HNA Group (the development of which may be managed by the Group).

As set out in the section headed "The BIM Master Agreement", the Group conducts tendering processes for the purpose of determining the provider of BIM services. Management has confirmed that a tendering process is ongoing in respect of the sourcing of BIM Modelling Services and BIM Platform services for the Land Parcels. We have reviewed the tender document setting out the scope of services required, which was prepared by the Group and sent to 3 providers of BIM services in Hong Kong, of which one was Hainan Marine Construction and 2 were BIM service providers which are independent third parties of the Company. The list of providers was determined by the procurement committee of the Group's property development division based on relevant experience, reputation and the capabilities of the providers. We have reviewed the bids received by the Group up to the Latest Practicable Date, which includes a bid by Hainan Marine Construction. As at the Latest Practicable Date, the tendering process has not been concluded.

LETTER FROM SOMERLEY

BIM Annual Caps for the BIM Modelling Services

The relevant annual caps are HK\$4.2 million, HK\$2.1 million and HK\$2.1 million for the financial years ending 31 December 2017, 31 December 2018, and 31 December 2019, respectively. The annual cap for the year ending 31 December 2017 is based on the tenders received for the Land Parcels, with a 10% upward allowance to cater for changes to the project plan. We consider this prudent given that the tender sum is principally based on gross floor area figures of the Land Parcels, which may be subject to change depending on final design plans.

The BIM Annual Caps for the BIM Modelling Services for each of 2018 and 2019 is set at 50% of the annual cap for 2017, on the basis of the Group potentially requiring BIM Modelling Services for additional future land parcels to be acquired by the Group and/or the HNA Group (the development of which may be managed by the Group), in each of 2018 and 2019.

BIM Annual Caps for the BIM Platform

The BIM Annual Caps for the BIM Platform are HK\$0.21 million for the financial year ending 31 December 2017, HK\$1.26 million for each of the four financial years ending 31 December 2021 and HK\$1.05 million for the year ending 31 December 2022. The above caps have been set with reference to the tenders received, which provide for a breakdown for costs for the BIM Platform and the fixed monthly fees to be charged by the service providers, with a 10% upward allowance as set out above. In addition, the annual caps for the financial years 2018 until 2022 include an allowance for BIM Platform services for potential future land parcels, as set out above.

For the purpose of our assessment of the BIM Annual Caps in respect of both the BIM Modelling Services and the BIM Platform, we have reviewed and discussed with management of the Group the relevant tender analysis report for the BIM services relating to the Land Parcels, and consider the BIM Annual Caps are derived on a reasonable basis.

Our view

In our opinion it is in the interests of the Group and the Shareholders to determine the Foundation Annual Caps in a way that can accommodate the potential growth of the Group's business. The potential foundation piling revenue from the 6562 Land Parcel and the 6565 Land Parcel would bring significant growth to the Group's foundation business, and would represent a good opportunity for the Group to be further involved in landmark projects in the Kai Tak area. The management of the Group considers BIM services are an important tool for their property development business in Hong Kong, and as such we consider it useful for the Group to be afforded the optionality of choosing the HNA Group as a provider of BIM services, on the basis of a competitive tendering process. Provided that the Continuing Connected Transactions are subject to annual review by the independent non-executive Directors and auditors of the Company (as summarised below) as required under the Listing Rules, the Group would have desirable flexibility in conducting its business if the relevant annual caps are tailored to the size of future business activities. In assessing the reasonableness of the Foundation Annual Caps and the BIM Annual Caps, we have discussed with the management of the Group the factors taken into account as stated earlier in this section. We consider it reasonable for the Company to use the above factors in determining the Foundation Annual Caps and the BIM Annual Caps.

LETTER FROM SOMERLEY

5. Duration of the BIM Master Agreement

The duration of the BIM Master Agreement is over 5 years, ending on 31 December 2022. We have discussed with the management of the Group the rationale for such duration. We note that pursuant to the most currently available project timetable for each of the Land Parcels, as provided by management of the Group, the residential units for each of the Land Parcels are expected to be handed over to buyers by 2022. We have discussed with management of the Group the rationale for the deployment of the software pursuant to the BIM Master Agreement, and understand that Gainful (as project manager of the 6562 Land Parcel and the 6565 Land Parcel) and the Group (as owner of the 6563 Land Parcel and the 6564 Land Parcel) would use the relevant software throughout the duration of the projects.

As stated above, BIM is a process for creating and managing information across the project lifecycle for more efficient planning, design, construction and management of property development projects. During the planning and design phase, BIM Modelling services are used to assist with the project design and cost estimations, taking into account potential changes to the models as construction proceeds, and assisting with identifying possible discrepancies and conflicts and their impact on the project. This includes conceptual, preliminary, and detailed design work. Meanwhile, the BIM Platform is used to record the overall progress of the project and manage all documentation. Across all phases of the project, the BIM Platform retains the models and documentation created, and records all changes made to them. Contractors and other project participants will be able to access relevant information and the BIM Platform can facilitate information sharing and lead to more efficient project organisation. The Construction Industry Council of Hong Kong has published the “CIC Building Information Modelling Standards (Phase One)” in September 2015, which includes detailed modelling specifications and details on the application of BIM and its deliverables during different stages of the development. We consider this highlights the applicability of BIM across the project lifecycle.

On the above basis, we consider that it is reasonable for the Group to use the BIM platform for the duration of the project, until 2022, in order to make the best use of BIM processes throughout the project, and by extension, that it is normal business practice for contracts of such nature to be of such duration.

6. Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Continuing Connected Transactions every year and confirm in the annual report whether the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and

LETTER FROM SOMERLEY

- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Continuing Connected Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Group's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the Continuing Connected Transactions; and
 - (iv) have exceeded the relevant annual caps;
- (c) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b) above;
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

In addition to the above reporting requirements under the Listing Rules, the Group has a number of safeguards in place to ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Foundation Master Agreement and the BIM Master Agreement and the relevant annual caps:

- (a) Written tender and pricing policies for members of the Group, as summarised in the sections headed "Internal controls, processes and pricing"; and
- (b) a written internal control policy which sets out, among others, procedures to ensure the terms offered by the relevant parties for a Continuing Connected Transaction are in accordance with the terms of the Foundation Master Agreement and the BIM Master Agreement and the relevant annual caps, including an assessment by the finance and accounts department of the Company and the company secretarial department of the Company.

LETTER FROM SOMERLEY

In light of the reporting requirements and conditions attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the relevant annual caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the relevant annual caps not being exceeded, and given the Company's internal safeguards in place, we are of the view that appropriate measures will be in place to monitor the conduct of the Continuing Connected Transactions and assist in safeguarding the interests of the Shareholders.

OPINION

Having taken into account the above principal factors and reasons, we consider that the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the entering into of the Foundation Master Agreement and the BIM Master Agreement are in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. We also consider that in the circumstances set out above it is justified and normal business practice for the BIM Master Agreement to be of a duration in excess of three years.

We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Foundation Master Agreement (including the continuing connected transactions contemplated thereunder and the Foundation Annual Caps) and the BIM Master Agreement (including the continuing connected transactions contemplated thereunder and the BIM Annual Caps).

Yours faithfully,
for and on behalf of
SOMERLEY CAPTIAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the SFC and as a responsible officer of Somerley, which is licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over nine years of experience in the corporate finance industry.

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

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.

(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 interested	Percentage of issued share capital of the Company (%)
Hainan Province Cihang Foundation ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66

Name	Capacity	Number of Shares interested	Percentage of issued share capital of the Company (%)
Tang Dynasty Development (Yangpu) Company Limited ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
Hainan Traffic Administration Holding Co., Ltd. ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
HNA Group Co., Ltd. ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
HNA Holding Group Co., Ltd. ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
HNA Investment Holding Co., Ltd. ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
Beijing HNA Financial Holdings Co., Ltd. ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
HNA Financial Holdings International Co., Ltd. ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
Hong Kong HNA Holding Group Co. Limited ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
HNA Finance I	Beneficial owner	2,540,222,144	74.66
Central Huijin Investment Ltd. ⁽²⁾	Security interest in Shares	185,000,000	5.44
China Construction Bank Corporation ⁽²⁾	Security interest in Shares	185,000,000	5.44
中國交通建設股份有限公司	Beneficial owner	171,000,000	5.03

Notes:

- (1) These parties were deemed to have interests in 2,540,222,144 Shares by virtue of their equity interests in HNA Finance I. Based on the disclosure of interests notices filed by Hainan Province Cihang Foundation on 21 June 2017, HNA Finance I was wholly-owned by Hong Kong HNA Holding Group Co. Limited; Hong Kong HNA Holding Group Co. Limited was wholly-owned by HNA Financial Holdings International Co., Ltd.; HNA Financial Holdings International Co., Ltd. was wholly-owned by Beijing HNA Financial Holdings Co., Ltd.; Beijing HNA Financial Holdings Co., Ltd. was wholly-owned by HNA Investment Holding Co., Ltd.; HNA Investment Holding Co., Ltd. was wholly-owned by HNA Holding Group Co., Ltd.; HNA Holding Group Co., Ltd. was wholly-owned by HNA Group Co., Ltd.; HNA Group Co., Ltd. was owned as to 70% by Hainan Traffic Administration Holding Co., Ltd.; Hainan Traffic Administration Holding Co., Ltd. was owned as to 50% by Tang Dynasty Development (Yangpu) Company Limited and Tang Dynasty Development (Yangpu) Company Limited was owned as to 65% by Hainan Province Cihang Foundation. Therefore, each of the aforesaid entities was deemed under the SFO to be interested in the 2,540,222,144 Shares (which includes (i) the 185,000,000 Shares pledged by HNA Finance I in

favour of an associate of CCB International Capital Limited, and (ii) the 16,318,013 Shares pledged by HNA Finance I in favour of a lender, who is an independent third party, according to a master loan agreement, a master pledge agreement and a control agreement pursuant to which such lender may sell, transfer, pledge or otherwise deal in such securities subject to the terms of such agreement).

- (2) Central Huijin Investment Ltd., through its interests in China Construction Bank Corporation, and China Construction Bank Corporation, through its interest in CCB International Overseas Limited, were deemed to be interested in the 185,000,000 Shares over which CCB International Overseas Limited had a security interest.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person 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.

As at the Latest Practicable Date, the following Directors were a director or employee of a company which had an interest or a short position in the Shares and 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:

Director	Company	Position
Mr. Huang Qijun	HNA Group Co., Ltd.	Director
	HNA Holding Group Co., Ltd.	Director, chairman of the board and chief executive officer
Mr. Zhao Quan	Beijing HNA Financial Holdings Co., Ltd.	Director
	HNA Group Co., Ltd.	Non-executive Director
Mr. Mu Xianyi	HNA Holding Group Co., Ltd.	Chief investment officer

Save as disclosed above, as at the Latest Practicable Date, none of the Directors were a director or employee of a company which had an interest or a short position in the Shares and 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.

3. DIRECTORS' 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. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

Save for the interest of Mr. Fung Chiu Chak, Victor (“**Mr. Victor Fung**”) in the sale and purchase agreement dated 19 April 2016 entered into among the Company as purchaser, Fortunate Pool Limited (a company wholly-owned by Mr. Victor Fung) as vendor and Mr. Victor Fung as guarantor in relation to sale and purchase of 40 issued shares of Tysan Foundation and the master agreement dated 6 July 2017 entered into between the Company (for itself and for and on behalf of other members of the Group) and Mr. Victor Fung (for himself and on behalf of companies owned or controlled by him) in respect of the subcontracting of certain categories of works, 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 was significant in relation to the business of the Group, and no Director was interested in any assets which had 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. 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.

6. QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the expert who has given advice, letter or opinion for incorporation and as contained in this circular:

Name	Qualifications
Somerley Capital Limited	a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Somerley had no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Somerley had no direct or indirect interests in any assets which have been, since 31 December 2016 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

7. GENERAL

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 from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the Foundation Master Agreement; and
- (b) the BIM Master Agreement.

NOTICE OF SGM



HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Hong Kong International Construction Investment Management Group Co., Limited (the “**Company**”) will be held at 10 a.m. on Thursday, 16 November 2017 at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the master agreement (the “**Foundation Master Agreement**”, a copy of which marked “A” has been tabled before the meeting and initialled by the chairman of the meeting for the purpose of identification) entered into by Tysan Foundation (Hong Kong) Limited (for itself and for and on behalf of the subsidiaries of the Company) with Denco Properties Limited and Hongkong Island Construction Properties Co., Limited (for themselves and for and on behalf of their subsidiaries and companies controlled by their holding companies from time to time) on 22 September 2017 in relation to the provision of foundation works by members of the Company and the subsidiaries of the Company (the “**Group**”) to members of HNA Group Co., Ltd. and its subsidiaries (the “**HNA Group**”), the maximum aggregate value of the contract sum in respect of the provision of foundation works by members of the Group to members of the HNA Group under the Foundation Master Agreement for each financial year concerned and all other transactions contemplated thereunder in connection therewith and any other ancillary documents be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to do all acts, deeds and things and to sign and execute all documents as he may, at his absolute discretion, deem incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Foundation Master Agreement.”

NOTICE OF SGM

2. “THAT

- (a) the master agreement (the “**BIM Master Agreement**”, a copy of which marked “B” has been tabled before the meeting and initialled by the chairman of the meeting for the purpose of identification) entered into between the Company (for itself and for and on behalf of the subsidiaries of the Group) and Hainan Marine Construction Project Management Contracting Company Limited* (海南海建工程管理總承包有限公司) (for itself and for and on behalf of its subsidiaries and companies controlled by its holding companies from time to time) on 22 September 2017 in relation to the provision of preparation of BIM model, running of conflict tests and consultation on BIM related matters (the “**BIM Modelling Services**”) and provision of a platform for managing, editing and searching BIM documents and BIM models (the “**BIM Platform**”) by members of the HNA Group to members of the Group, the maximum aggregate value of the contract sum in respect of the provision of BIM Modelling Services and BIM Platform by members of the HNA Group to members of the Group under the BIM Master Agreement for each financial year concerned and all other transactions contemplated thereunder in connection therewith and any other ancillary documents be and are hereby approved, confirmed and ratified; and
- (b) any director of the Company be and is hereby authorised to do all acts, deeds and things and to sign and execute all documents as he may, at his absolute discretion, deem incidental to, ancillary to or in connection with the matters contemplated in and for completion of the BIM Master Agreement.”

By order of the board of
**HONG KONG INTERNATIONAL
CONSTRUCTION INVESTMENT
MANAGEMENT GROUP CO., LIMITED**
HUANG Qijun
Chairman

Hong Kong, 26 October 2017

Registered Office:

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

*Head Office and Principal Place of
Business in Hong Kong:*
20th Floor, One Island South,
No. 2 Heung Yip Road,
Wong Chuk Hang,
Hong Kong

NOTICE OF SGM

Notes:

1. Any Shareholder entitled to attend and vote at the above SGM shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A proxy need not be a Shareholder. A Shareholder may appoint a proxy in respect of only part of his/her/its holding of Shares.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof.
3. For the purpose of the SGM, in order to qualify for attending and voting at the SGM, duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Friday, 10 November 2017. The Register of Members of the Company will be closed from Monday, 13 November 2017 to Thursday, 16 November 2017 (both dates inclusive), during which period no transfer of Shares will be registered.
4. Each of the ordinary resolutions set out above will be determined by way of a poll.

As at the date of this notice, the executive Directors are Mr. Huang Qijun, Mr. Zhao Quan, Mr. Fung Chiu Chak, Victor, Mr. Liu Junchun, Mr. Mu Xianyi, Mr. Wong Tai Lun Kenneth and Mr. Mung Hon Ting Jackie; the non-executive Directors are Mr. Tang King Shing and Mr. Tang Kit and the independent non-executive Directors are Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Leung Kai Cheung.