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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).

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

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE FORMATION OF THE FUND
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

Independent Financial Adviser to the Company



A letter from the Board is set out on pages 6 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 Lego Corporate Finance Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 46 of this circular.

A notice convening the SGM to be held at 10:00 a.m. on Tuesday, 21 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-2 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.

4 November 2017

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DEFINITIONS

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

“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 is held by Milway
“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 is held by Top Genius
“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 is held by HIC as at the Latest Practicable Date. The 6565 Land Parcel was awarded in a tender at a premium of approximately HK\$8,837 million on 29 November 2016
“Adjusted NAV”	the consolidated net asset value of the Total Thrive Group of approximately HK\$5,350 million upon completion of the Forfeiture which was adjusted from the consolidated net asset value of the Total Thrive Group of approximately HK\$10,750 million based on the management accounts of the Total Thrive Group as at 30 September 2017
“Amended and Restated Exempted Limited Partnership Agreement”	the amended and restated exempted limited partnership agreement dated 13 October 2017 entered into between the Limited Partners and the General Partner in relation to the Subscription
“Announcement”	the Company’s announcement dated 13 October 2017 in relation to the formation of the Fund and receipt of the Management Fee
“associate”	has the meaning ascribed to it under the Listing Rules
“BDL”	Benefit Developments Limited, a company incorporated under the laws of the BVI with limited liability, and is a direct wholly-owned subsidiary of the Company
“Board”	the board of Directors
“BVI”	British Virgin Islands

DEFINITIONS

“Committed Fund Size”	approximately HK\$6,030 million, the aggregate amount of capital agreed to be contributed to the Fund by each of the Limited Partners and the General Partner
“Company”	Hong Kong International Construction Investment Management Group Co., Limited (香港國際建設投資管理集團有限公司), a company incorporated under the laws of Bermuda with limited liability and 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
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	the issuance and allotment of 87.93% interest by the Fund to Hisea International
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Forfeiture”	the forfeiture which was completed on 19 October 2017 whereby Total Thrive forfeited 50.23% of the issued shares of Total Thrive held by HKIIG immediately prior to completion of the Forfeiture, representing the value of approximately HK\$5,400 million, which was being set-off against the equivalent amount owed by HKIIG to Total Thrive. Completion of the Amended and Restated Exempted Limited Partnership Agreement is subject to completion of the Forfeiture
“Fund”	HKICIM Fund II, L.P., an exempted limited partnership established in the Cayman Islands
“General Partner”	HKICIM (GP) II, the general partner of the Fund
“Group”	the Company and its subsidiaries
“HKIIG”	Hong Kong International Investment Group Co., Limited, a company incorporated under the laws of Hong Kong with limited liability, and is a subsidiary of HNA Holding Group
“HIC”	Hongkong Island Construction Properties Co., Limited, a company incorporated under the laws of Hong Kong with limited liability and is a wholly-owned subsidiary of Total Thrive

DEFINITIONS

“Hisea International”	Hisea International Co., Ltd., a company incorporated under the laws of the BVI with limited liability, and is a wholly-owned subsidiary of the HNA Holding Group
“HKICIM (GP) II”	HKICIM (GP) II Limited, a company incorporated under the laws of the Cayman Islands with limited liability, and is an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HNA Finance I”	HNA Finance I Co., Ltd., a company incorporated under the laws of Anguilla with limited liability, and is the controlling shareholder of the Company
“HNA Holding Group”	HNA Holding Group Co., Ltd., a company incorporated under the laws of the PRC and is the holding company of HNA Finance I
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Subscription
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed to advise (i) the Independent Board Committee and the Independent Shareholders in respect of the Subscription; and (ii) the duration of the Amended and Restated Exempted Limited Partnership Agreement
“Independent Shareholders”	Shareholders (other than HNA Finance I and its associates)
“Investment Proceeds”	all cash, securities and other property received by the Fund after the deduction of any indebtedness, payments and expenses or taxes borne by the Fund
“Latest Practicable Date”	2 November 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein
“Limited Partner(s)”	BDL and Hisea International
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Management Fee”	the annual management fee which the General Partner will receive from the Fund pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement
“Milway”	Milway Development Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“Partner(s)”	collectively, the General Partner and the Limited Partners, and “Partner” means, individually, either the General Partner or any Limited Partner
“percentage ratio”	has the meaning ascribed to it under the Listing Rules, as applicable to a transaction
“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 Subscription
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the transactions contemplated under the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 13 October 2017 entered into by BDL pursuant to which BDL has agreed to commit a cash contribution of approximately HK\$667.7 million to the Fund
“Top Genius”	Top Genius Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, and is an indirectly wholly-owned subsidiary of the Company

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“Total Thrive”	Total Thrive Holdings Limited, a company incorporated under the laws of the BVI with limited liability, and is an indirect subsidiary of HNA Holding Group. Total Thrive holds the entire issued share capital of HIC which in turn is the sole registered and beneficial owner of the 6565 Land Parcel
“Total Thrive Group”	Total Thrive and its subsidiaries
“%”	per cent
“*”	the English names of the Chinese companies referred to in this circular are transliterated from the Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail

LETTER FROM THE BOARD



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

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

Executive Directors

Mr. 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

4 November 2017

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE FORMATION OF THE FUND
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the Announcement.

On 13 October 2017 (after trading hours), (i) the Amended and Restated Exempted Limited Partnership Agreement was entered into between Hisea International, BDL (a direct wholly-owned subsidiary of the Company) and HKICIM (GP) II (an indirect wholly-owned subsidiary of the Company) in relation to the formation of the Fund; and (ii) the Subscription Agreement was entered into in relation to the capital commitment of BDL to the Fund. Pursuant to the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement, both BDL and HKICIM (GP) II have conditionally agreed to make a capital commitment in an aggregated amount of approximately HK\$728 million to the Fund, representing approximately 12.07% of the Committed Fund Size.

The purpose of the Fund is primarily to (i) invest in the 6565 Land Parcel, with a view to generating income and capital appreciation, (ii) manage, supervise and dispose of such investments, and (iii) engage in such other activities incidental or ancillary thereto in the sole discretion of the General Partner. As at the Latest Practicable Date, save for the investment in the 6565 Land Parcel, the Fund has no other investment plans and does not expect to have any other investment plans.

Subject to the approval of the Independent Shareholders in connection with the Subscription, Hisea International will transfer its entire issued shares of Total Thrive to the Fund, and the Fund will issue and allot the Consideration Shares to Hisea International. As a result, the Fund will become the sole shareholder of Total Thrive.

Pursuant to the Amended and Restated Exempted Limited Partnership Agreement, from the Initial Closing Date till the end of the term of the Fund, the General Partner will receive an annual Management Fee from the Fund equal to 1% of the aggregate capital commitments of the Fund as compensation for managing the affairs of the Fund. As the highest applicable percentage ratio in respect of the receipt of the Management Fee exceeds 0.1% but less than 5%, the receipt of the Management Fee is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules only but exempt from the Independent Shareholders approval requirement. The receipt of the Management Fee is governed by the Amended and Restated Exempted Limited Partnership Agreement, which is subject to the approval of the Independent Shareholders in the SGM. Since the duration of the Amended and Restated Exempted Limited Partnership Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed an Independent Financial Adviser to explain as to why a longer period is required and to confirm that it is normal business practice for agreements of the same type as the Amended and Restated Exempted Limited Partnership Agreement to be of such duration. Details of the explanation and confirmation of the Independent Financial Adviser are set out on pages 20 to 46 of this circular.

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Subscription; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Subscription; (iv) the explanation and confirmation of the Independent Financial Adviser regarding the duration of the

LETTER FROM THE BOARD

Amended and Restated Exempted Limited Partnership Agreement; (v) the property valuation of the 6565 Land Parcel; and (vi) the notice of the SGM and forms of proxy for convening the SGM, at which ordinary resolutions will be proposed to consider and, if thought fit, approve, among other things, the Subscription.

II. THE AMENDED AND RESTATED EXEMPTED LIMITED PARTNERSHIP AGREEMENT

The principal terms of the Amended and Restated Exempted Limited Partnership Agreement are set out below:

Date

13 October 2017 (after trading hours)

Parties

- (a) BDL (as Limited Partner);
- (b) Hisea International (as Limited Partner); and
- (c) HKICIM (GP) II (as General Partner)

Purpose of the Fund

The purpose of the Fund is primarily to (i) invest in the 6565 Land Parcel, with a view to generating income and capital appreciation, (ii) manage, supervise and dispose of such investments, and (iii) engage in such other activities incidental or ancillary thereto in the sole discretion of the General Partner.

As at the Latest Practicable Date, save for the investment in the 6565 Land Parcel, the Fund has no other investment plans and does not expect to have any other investment plans.

Commencement and duration of the Fund

The Fund was established on 10 October 2017 pursuant to the terms of an initial limited partnership agreement. Pursuant to the Amended and Restated Exempted Limited Partnership Agreement, the Limited Partners shall be bound by the Amended and Restated Exempted Limited Partnership Agreement at such time as (i) a subscription agreement or a counterpart thereof is executed by such Limited Partner and accepted by the General Partner, and (ii) the Amended and Restated Exempted Limited Partnership Agreement is executed by all relevant parties (the “**Initial Closing Date**”).

LETTER FROM THE BOARD

Subject to the Amended and Restated Exempted Limited Partnership Agreement and the applicable laws and regulations, the Fund shall continue until expiry of the fifth (5th) anniversary of the Initial Closing Date. The term of the Fund may be shortened, or extended for up to a maximum of two consecutive one-year periods, as determined by the General Partner at its sole discretion. If the term of the Fund extends after its expiry, the Company will re-comply with the applicable Listing Rules.

Committed Fund Size

The Committed Fund Size shall be approximately HK\$6,030 million, and is determined with reference to (i) the cost of the 6565 Land Parcel of approximately HK\$8,837 million net of bank borrowing of approximately HK\$3,500 million; and (ii) the potential of the development of the 6565 Land Parcel. The respective commitments of the Partners are set out as follows:

Partners	Commitments <i>HK\$ (million)</i> <i>Approximately</i>	Percentage <i>(%)</i> <i>Approximately</i>
BDL (as Limited Partner)	667.7	11.07
Hisea International (as Limited Partner)	5,302	87.93
HKICIM (GP) II (as General Partner)	60.3	1.00

Each Limited Partner shall contribute capital to the Fund upon notice from the General Partner at such time as the General Partner shall deem appropriate, as specified therein. The notice shall specify the amount of such capital to be made by the respective Limited Partner and the time at which such capital to be made.

Each of the Partners shall contribute capital to the Fund proportionally in accordance with their respective commitments pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement and the relevant Subscription Agreement. HKICIM (GP) II shall contribute its 1.00% of the Committed Fund Size pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement. As at the Latest Practicable Date, apart from the capital commitments as provided in this circular made pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement and the relevant Subscription Agreement, each of BDL (as Limited Partner) and HKICIM (GP) II (as General Partner) does not have any other capital commitments to the Fund.

The capital commitment to be made by Hisea International was determined at arm's length negotiation with reference to the Adjusted NAV of the Total Thrive Group of approximately HK\$5,350 million, which primarily comprising the cost of the 6565 Land Parcel of approximately HK\$8,837 million net of bank borrowing of approximately HK\$3,500 million.

LETTER FROM THE BOARD

The capital commitment to be made by the Group was determined at arm's length negotiation with reference to the total projected development costs of the 6565 Land Parcel deducted by the maximum banking facilities which the Fund is able to obtain under normal market practice according to the discussion between the management of the Group and independent banks.

The capital commitment to be made by BDL to the Fund was determined after arm's length negotiation among the parties under the Amended and Restated Exempted Limited Partnership Agreement, with reference to, among others, (i) the market value of the 6565 Land Parcel, being HK\$8,840,000,000, as appraised by Knight Frank Petty Limited as at 30 September 2017; (ii) the potential of the development of the 6565 Land Parcel; and (iii) the size of the anticipated investments to be made by the Fund in the 6565 Land Parcel. The Company intends to finance BDL's capital commitment by using internal resources of the Group. The cash and bank balances of the Company as at 30 September 2017 was approximately HK\$2,926 million, of which (i) approximately HK\$79 million was bank balances pledged for certain banking facilities of the Group; and (ii) approximately HK\$2,847 million was pure liquid cash, of which approximately HK\$1,755 million was time deposits with maturity period of no more than 31 days and approximately HK\$1,092 million was cash at hand. The Company will continue to closely monitor its cash and bank balances and will consider all funding options when there are any capital and operational needs in respect of the development of the 6563 Land Parcel and the 6564 Land Parcel. As of the Latest Practicable Date, the Company has not entered into any binding agreement for the funding of the development of the 6563 Land Parcel and the 6564 Land Parcel and the Subscription. As at the Latest Practicable Date, the Company believes that it does not have any fund raising needs for the purpose of the Subscription and in respect of the 6563 Land Parcel and the 6564 Land Parcel, the Group intends to finance its capital expenditure for developing such land parcels by internal resources and construction loans. The Company does not have any fund raising plan for the purpose of the Subscription as at the Latest Practicable Date.

As at the Latest Practicable Date, for the period from 2017 to 2022, the total capital expenditure for developing the 6563 Land Parcel and the 6564 Land Parcel is expected to be approximately HK\$2.82 billion and HK\$2.27 billion respectively. As at the Latest Practicable Date, the expected capital expenditures for the development of the 6563 Land Parcel and the 6564 Land Parcel for the year of 2017 and 2018 are set out below:

	Expected capital expenditures	
	For the year ending 31 December 2017	For the year ending 31 December 2018
	<i>(HK\$)</i>	<i>(HK\$)</i>
6563 Land Parcel	29 million	360 million
6564 Land Parcel	24 million	355 million

Distributions

The General Partner may, in its sole discretion, determine to cause the Fund to make distributions of cash, securities and other property to the Partners at any time and from time to time pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement. Notwithstanding

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the foregoing, the General Partner shall use commercially reasonable efforts to cause the Fund to distribute the full net cash proceeds from the disposition of investments promptly after such disposition, but in no event later than 90 days after receipt thereof, in each case, subject to the availability of cash after paying expenses of the Fund and after setting aside appropriate reserves for anticipated liabilities, obligations and commitments of the Fund (including payment of the Management Fees).

Investment Proceeds from investment in respect of the 6565 Land Parcel shall be apportioned preliminary among the Partners in proportion to their sharing percentages with respect to the applicable investment. The amount so apportioned to any Partner shall generally be distributed between the General Partner and such Partner (subject to the terms of the Amended and Restated Exempted Limited Partnership Agreement) as follows:

- (a) First, 100% to such Partner until such Partner has received cumulative distributions equal to such Partner's aggregate capital contributions in connection with making, maintaining or disposing of any investment by the Fund.
- (b) Second, 100% to such Partner until such Partner has received 6% per annum annually compounded internal rate of return on its aggregate capital contributions referred to in (a).
- (c) Third, thereafter, (i) 20% to the General Partner and (ii) 80% to such Partner.

Within 90 days after the end of each fiscal year commencing with the first year in which the Fund is in operation for a full fiscal year, the General Partner shall furnish to each Limited Partner financial statements for the Fund for such year, audited by a firm of independent certified public accountants of recognized international standing selected by the General Partner and prepared in accordance with the International Financial Reporting Standards.

Role of the General Partner

The General Partner is responsible for the day-to-day operation and management of the Fund, including without limitation, performing the management and administrative services necessary for the operation of the Fund, opening, maintaining and closing accounts with banks, brokers and custodians, and retaining third parties for necessary services relating to the operation of the Fund. Subject to the terms of the Amended and Restated Exempted Limited Partnership Agreement, the management of the Fund shall be vested exclusively in the General Partner (acting directly or through its duly appointed agents), and the General Partner shall be responsible for the conduct of the business, assets and affairs of the Fund, and the General Partner has the power on behalf and in the name of the Fund to carry out any and all of the objectives and purposes of the Fund.

The Limited Partners in their capacity as such shall not participate in the management, direction or operation of the affairs or take part in the conduct of the business of the Fund and shall have no power to bind the Fund. The rights and obligations of the Partners are governed under the Amended

LETTER FROM THE BOARD

and Restated Exempted Limited Partnership Agreement, including the rights of the Limited Partners holding at least 85% of the aggregate commitments to require the winding up and dissolution of the Fund, and the rights of the Limited Partners to approve any transfer of general partner interest in the Fund by the General Partner (other than to one of its affiliates).

The Fund will not be responsible for the development of the 6565 Land Parcel.

Management Fee

From the initial Closing Date, the Fund will pay the General Partner an annual Management Fee equal to 1% of the aggregate capital commitments of the Fund as at December 31 of each calendar year as compensation for managing the affairs of the Fund.

The proposed annual caps for the Management Fee for each of the year during the term of the Fund pursuant to the Amended and Restated Exempted Limited Partnership Agreement will not exceed HK\$63.3 million. For details, please refer to the Announcement.

Transfer of interest in the Fund

Subject to the terms of the Amended and Restated Exempted Limited Partnership Agreement, any transfer of interest in the Fund by a Limited Partner is subject to the consent of the General Partner in its absolute discretion.

III. MANAGEMENT OF THE FUND

Mr. Mu Xianyi (“**Mr. Mu**”), an executive Director of the Company who is responsible for corporate planning and development of the corporate finance and investment policy of the Group, will be responsible for monitoring the investment in the Fund. Mr. Mu also served as the financial director of the HNA Holding Group from February 2016 to December 2016 and has served as the chief investment officer of the HNA Holding Group since December 2016. Mr. Mu has comprehensive knowledge and work experience in the legal, finance and investment fields. The Company intends to recruit additional professional staff to support the operation and management of the Fund.

IV. THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date

13 October 2017 (after trading hours)

LETTER FROM THE BOARD

Subscriber

BDL

Pursuant to the Subscription Agreement, BDL shall (i) irrevocably subscribe for and covenant to purchase from the Fund an interest as a Limited Partner in the Fund with a capital commitment of HK\$667.7 million to the Fund, representing approximately 11.07% of the Committed Fund Size; (ii) covenant to become a Limited Partner of the Fund upon acceptance; and (iii) covenant to be bound by the terms and provisions of the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement.

Conditions Precedent

The acceptance of the Subscription Agreement by the General Partner, the admission of BDL as a Limited Partner and any obligations of BDL to pay or contribute to the Fund under the Subscription Agreement and the Amended and Restated Exempted Limited Partnership Agreement shall be conditional upon the following conditions being satisfied or waived by BDL:

- (a) execution and delivery of the relevant subscription agreement and the Amended and Restated Exempted Limited Partnership Agreement by BDL and Hisea International; and
- (b) all necessary consent and approval from the shareholders, financial institutions, competent governmental authorities or regulators required to be obtained on the part of any members of the Group in respect of the Subscription Agreement, the Amended and Restated Exempted Limited Partnership Agreement and the transactions contemplated thereunder, including the approval from the general meeting of the Company having been obtained and remain in full force and effect.

V. INFORMATION ON THE GROUP AND THE PARTIES TO THE AMENDED AND RESTATED EXEMPTED LIMITED PARTNERSHIP AGREEMENT AND THE SUBSCRIPTION AGREEMENT

The Company is a company incorporated under the laws of Bermuda with limited liability, and is an investment holding company. The Group's principal business includes property development, foundation piling and site investigation in Hong Kong and property investment and management.

BDL is a company incorporated under the laws of the BVI with limited liability, and is an investment holding company. It is a direct wholly-owned subsidiary of the Company.

HKICIM (GP) II is a company incorporated under the laws of the Cayman Islands with limited liability, and is the General Partner of the Fund. It is an indirect wholly-owned subsidiary of the Company.

Hisea International is a company incorporated under the laws of the BVI with limited liability. It is a wholly-owned subsidiary of HNA Holding Group, and it is an investment holding company.

LETTER FROM THE BOARD

Subject to completion of its investment in Total Thrive, the Fund will become the sole investor in the 6565 Land Parcel immediately following completion of its investment in Total Thrive. The development of a land parcel will require the contribution and synergy of different experts and professional parties, who may or may not belong to the same group as the investor of such land parcel. The Company is of the view that the Group as both investor of the Fund whereby the Fund will not be responsible for the development of the 6565 Land Parcel and the potential tenderer for the provision of the foundation services in connection with 6565 Land Parcel will not have any conflict of interest. Upon completion of the Subscription, the equity interest in the Fund will be owned as to approximately 11.07%, 87.93% and 1.00%, by BDL (as Limited Partner), Hisea International (as Limited Partner) and HKICIM (GP) II (as General Partner), respectively. Accordingly, the financial results of the Fund will not be consolidated into the financial statements of the Group.

VI. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The purpose of the Fund is primarily to (i) invest in the 6565 Land Parcel, with a view to generating income and capital appreciation, (ii) manage, supervise and dispose of such investments, and (iii) engage in such other activities incidental or ancillary thereto in the sole discretion of the General Partner. As at the Latest Practicable Date, save for the investment in the 6565 Land Parcel, the Fund has no other investment plans and does not expect to have any other investment plans.

The Board believes that the Subscription will improve the profit of the Group and also its capital utilization, as the General Partner, the Group will receive an annual Management Fee equal to 1% of the aggregate capital commitments of the Fund. In addition, the Group will also receive additional distributions if the Fund has excess proceeds for distribution. The annual Management Fee will provide a stable income to the Group and will enhance the Group's profit during the investment period of the Fund. As the Limited Partner, the Subscription will enable the Group to share the income and capital appreciation to be generated from the development of the 6565 Land Parcel.

The Company came across the opportunity of the Subscription since both Hisea International and the Group are subsidiaries of the HNA Holding Group, and the Group owns the 6563 Land Parcel and the 6564 Land Parcel which are adjacent to the 6565 Land Parcel. Taking into account (i) the enhanced cumulated branding effect; and (ii) the effectiveness of sales strategy and strengthened pricing power from development of the three adjacent land parcels in the same geographical area, Hisea International and the Group consider this is an opportunity to invest together to maximize the benefits in the development of the three land parcels. With HKICIM (GP) II being the General Partner to manage the operation of the Fund, the Board believes that such arrangement will create synergy in the development of the land parcels and generate additional income and enhance the overall return to the Group. As at the Latest Practicable Date, the Group has no intention to increase its interest in the Fund or to invest in any other land parcels held by HNA Holding Group. In consideration to maximize the interest of the Company and the Shareholders as a whole, the Company will continue to explore and consider any investment opportunity.

The Investment Proceeds of the Fund are expected to be distributed to the Limited Partners in 2022, which will further increase the capital gain and profit of the Group.

LETTER FROM THE BOARD

Given that the prospects of the Hong Kong property market remains optimistic and in particular the positive outlook of East Kowloon, the Directors believe that the Subscription will enlarge the Group's property business in Hong Kong with an increase in the number of land parcel for development, which will be conducive to the Group's property development business. The Subscription will enable the Group to explore and expand additional sources of profit.

In light of the above, the Directors are of the view that the Subscription is in line with the overall development strategy of the Group and will be conducive to the Company's property development business. Although there is no minimum guarantee Investment Proceeds pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement, in consideration of (i) the initiatives of the Hong Kong government, as reiterated in consecutive past policy addresses, to transform Kowloon East into an additional premier central business district in Hong Kong and the announcement of the first Energizing Kowloon East Conceptual Master Plan in 2011; (ii) the optimistic prospects of the Hong Kong property market and in particular the positive outlook of East Kowloon; (iii) the potential of the development of the 6565 Land Parcel; (iv) the benefits of the Subscription as stated above; and (v) the view of the Independent Financial Adviser, the Directors are of the view that the transactions contemplated under the Subscription are fair and reasonable, on normal commercial terms and in the interest of the Company and Shareholders as a whole.

VII. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Hisea International is a wholly-owned subsidiary of HNA Holding Group, which in turn is the holding company of HNA Finance I, the controlling shareholder of the Company. Accordingly, both Hisea International and the Fund are associates of HNA Finance I, and are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription and receipt of the Management Fee, constitute a connected transaction and a continuing connected transaction of the Company respectively, under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Subscription is more than 5% but less than 25%, the Subscription constitutes (i) a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the receipt of the Management Fee exceeds 0.1% but less than 5%, the receipt of the Management Fee is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules only but exempt from the Independent Shareholders approval requirement. The receipt of the Management Fee is governed by the Amended and Restated Exempted Limited Partnership Agreement, which is subject to the approval of the Independent Shareholders in the SGM. For details of the receipt of the Management Fee and its Listing Rules implications, please refer to the Announcement.

LETTER FROM THE BOARD

Pursuant to Rule 14A.52 of the Listing Rules, it requires that the term of an agreement governing the continuing connected transaction of an issuer must not exceed three years except in special circumstances where the nature of the transaction requires it to be of a longer duration. Since the Amended and Restated Exempted Limited Partnership Agreement has a term of more than three years, the Company has appointed Lego Corporate Finance Limited as its Independent Financial Adviser to explain as to why a longer period is required and to confirm that it is normal business practice for agreements of the same type as the Amended and Restated Exempted Limited Partnership Agreement to be of such duration. Details of the explanation and confirmation of the Independent Financial Adviser are set out on pages 20 to 46 of this circular.

VIII. APPROVAL BY DIRECTORS AND INDEPENDENT SHAREHOLDERS

Each of Mr. Huang Qijun, Mr. Zhao Quan, Mr. Liu Junchun, Mr. Mu Xianyi, Mr. Wong Tai Lun Kenneth, Mr. Mung Hon Ting Jackie, Mr. Tang King Shing, Mr. Tang Kit, being Directors nominated to the Board by HNA Finance I, should abstain from voting on the Board resolutions for considering and approving the Subscription to avoid a perception of a conflict of interest. At the Board meeting to consider and approve the Subscription, the Directors nominated to the Board by HNA Finance I had abstained from voting on the resolutions to approve the same. Save as disclosed above, there are no other Directors who have any material interest in the Subscription, and no other Directors are required to abstain from voting on the Board resolutions for considering and approving the Subscription.

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, and Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription.

Pursuant to the Listing Rules, any Shareholder with a material interest in the Subscription and its associates are required to abstain from voting in respect of the Subscription. As at the Latest Practicable Date, HNA Finance I was interested in 2,540,222,144 Shares, representing approximately 74.66% of the issued Shares. HNA Holding Group is the holding company of HNA Finance I, and Hisea International is a wholly-owned subsidiary of HNA Holding Group. In view of the interests of HNA Finance I in the Subscription, HNA Finance I and its associates shall abstain from voting in respect of the resolutions relating to the Subscription at the SGM. To the best knowledge of the Company, save for HNA Finance I and its associates, no Shareholder is required to abstain from voting in respect of the resolutions relating to the Subscription at the SGM.

IX. SGM

A letter from the Board is set out on pages 6 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 the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 46 of this circular.

LETTER FROM THE BOARD

A notice convening the SGM to be held at 10:00 a.m. on Tuesday, 21 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-2 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.

X. RECOMMENDATION

The Directors (including the independent non-executive Directors but excluding the Directors nominated to the Board by HNA Finance I, who had abstained from voting on the Board resolutions for considering and approving the Subscription), whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser, consider that the Subscription is 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 but excluding the Directors nominated to the Board by HNA Finance I, who had abstained from voting on the Board resolutions for considering and approving the Subscription) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolutions to be proposed at the SGM.

XI. 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 Subscription.



HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

4 November 2017

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE FORMATION OF THE FUND
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of the Company dated 4 November 2017 (the “**Circular**”) of which this letter forms a 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 Subscription and to advise the Independent Shareholders as to whether they are fair and reasonable, whether they are on normal commercial terms or better, 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 6 to 17 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 20 to 46 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 Subscription is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the Subscription, particulars of which are set out in the Notice of SGM set out on pages SGM-1 to SGM-2 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 THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription and the transactions contemplated thereunder.



4 November 2017

To the Independent Board Committee and the Independent Shareholders

Hong Kong International Construction Investment Management Group Co., Limited
20th Floor, One Island South
No. 2 Heung Yip Road
Wong Chuk Hang
Hong Kong

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE FORMATION OF THE FUND

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 4 November 2017 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 13 October 2017 (after trading hours), (i) the Amended and Restated Exempted Limited Partnership Agreement was entered into between Hisea International, BDL (a direct wholly-owned subsidiary of the Company) and HKICIM (GP) II (an indirect wholly-owned subsidiary of the Company) in relation to the formation of the Fund; and (ii) the Subscription Agreement in relation to the capital commitment of BDL to the Fund. Pursuant to the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement, both BDL and HKICIM (GP) II have conditionally agreed to make a capital commitment in an aggregate amount of approximately HK\$728 million to the Fund, representing approximately 12.07% of the Committed Fund Size.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject to the approval of the Independent Shareholders in connection with the Subscription, Hisea International will transfer its entire issued shares of Total Thrive to the Fund, and the Fund will issue and allot the Consideration Shares to Hisea International. As a result, the Fund will become the sole shareholder of Total Thrive.

As at the Latest Practicable Date, Hisea International is a wholly-owned subsidiary of HNA Holding Group, which in turn is the holding company of HNA Finance I, the controlling shareholder of the Company. Accordingly, each of Hisea International is and the Fund will be an associate of HNA Finance I and thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription and the receipt of the Management Fee constitutes a connected transaction and a continuing connected transaction, respectively, under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Subscription is more than 5% but less than 25%, the Subscription constitutes (i) a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

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 terms of the Subscription are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether the Subscription are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the SGM to approve the Subscription and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As the highest applicable percentage ratio in respect of the receipt of the Management Fee exceeds 0.1% and less than 5%, the receipt of the Management Fee is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules only but exempt from the Independent Shareholders' approval requirement. Pursuant to Rule 14A.52 of the Listing Rules, it requires that the term of an agreement governing the continuing connected transaction of an issuer must not exceed three years except in special circumstances where the nature of the transaction requires it to be of a longer duration. Since the Amended and Restated Exempted Limited Partnership Agreement has a term of more than three years, we are appointed to advise the Company the reasons for the duration of the Amended and Restated Exempted Limited Partnership Agreement and the receipt of the Management Fee which exceed three years and whether this is normal business practice for such duration as required under the Listing Rules (the "**Duration Opinion**").

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or Hisea International and any of their respective associates that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

two years prior to the Latest Practicable Date, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist prior to the Latest Practicable Date whereby we had received any fees or benefits from the Company or Hisea International. Accordingly, we are qualified to give independent advice in respect of the Subscription and the transactions contemplated thereunder (including the Duration Opinion).

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries and associates as well as the companies and assets to be acquired pursuant to the Subscription and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background of and reasons for the Subscription

1.1 Information on the Group

The Group is principally engaged in the foundation piling and site investigation; property development; property investment and management. The Group has been a long-established player in the foundation piling industry in Hong Kong and has participated in the property development in the PRC with residential projects located in Shanghai, Tianjin and Shenyang. The Group has also pursued a strategy to expand its property development business in Hong Kong by leveraging its experience in property development business in the PRC. The Shares have been listed on the Stock Exchange since 1991. HNA Group Co., Ltd., through its subsidiary, has acquired a controlling interest in the Company on 30 June 2016.

Financial analysis

The following table summarises the consolidated income statements and segment results of the Company for the year ended 31 March 2016 and the nine months ended 31 December 2016 and also the six months ended 30 September 2016 and 30 June 2017 as extracted from its annual report for the nine months ended 31 December 2016 (the “**2016 Annual Report**”) and its interim report for the six months ended 30 June 2017 (the “**2017 Interim Report**”):

	For the six months ended 30 June 2017 HK\$'000 (Unaudited)	For the six months ended 30 September 2016 HK\$'000 (Unaudited)	For the nine months ended 31 December 2016 (note) HK\$'000 (Audited)	For the year ended 31 March 2016 HK\$'000 (Audited)
Revenue	1,834,973	1,966,962	3,030,560	4,057,316
Gross profit	142,519	425,528	575,517	924,973
Profit attributable to ordinary equity holders of the Company	54,440	46,018	134,050	396,874

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Foundation piling HK\$'000	Property development HK\$'000	Others HK\$'000	Total HK\$'000
<i>For the six months ended 30 June 2017 (Unaudited)</i>				
Segment revenue	1,465,360	354,613	27,147	1,847,120
Segment profit/(loss)	120,973	44,242	(49,688)	115,527
<i>For the six months ended 30 September 2016 (Unaudited)</i>				
Segment revenue	1,289,719	666,628	18,625	1,974,972
Segment profit/(loss)	191,616	258,765	(53,288)	397,093
<i>For the nine months ended 31 December 2016 (note)(Audited)</i>				
Segment revenue	2,125,395	892,896	30,521	3,048,812
Segment profit/(loss)	274,707	322,172	(78,305)	518,574
<i>For the year ended 31 March 2016 (Audited)</i>				
Segment revenue	3,023,767	963,859	195,253	4,182,879
Segment profit	394,605	515,014	38,439	948,058

Note: The Company changed its financial year end date from 31 March to 31 December during the financial period. Therefore, only nine-month results were presented in the 2016 Annual Report.

The total segment revenue for the nine months ended 31 December 2016 was approximately HK\$3,049 million, representing a decrease of approximately 27.1% from approximately HK\$4,183 million for the year ended 31 March 2016. As advised by the Company, the decrease was mainly due to the nine-month results ended 31 December 2016 following the change of financial year date from 31 March to 31 December and the one-off gain on disposal of a subsidiary of the Company of approximately HK\$115 million during the year ended 31 March 2016. The foundation piling segment was the largest segment of the Group contributing approximately 69.7% and 72.2% of total segment revenue of the Group for the nine months ended 31 December 2016 and for the year ended 31 March 2016 respectively, whereas the property development segment contributed approximately 29.3% and 23.0% respectively.

The total segment revenue for the six months ended 30 June 2017 was approximately HK\$1,847 million, representing a slight decrease of approximately 6.5% as compared to the six months ended 30 September 2016, notwithstanding the increase in revenue from the foundation piling segment of approximately 13.6%. Such decrease was mainly attributable to the decrease in revenue from property development by approximately 46.8%. The foundation piling segment remained the largest segment of the Group contributing approximately 79.3% and 65.3% of total segment revenue of the Group for the six months ended 30 June 2017 and 30 September 2016 respectively, whereas the property development segment contributed approximately 19.2% and 33.8% respectively.

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The following table summarises the consolidated statement of financial position as at 31 March 2016, 31 December 2016 and 30 June 2017 as extracted from the 2016 Annual Report and 2017 Interim Report:

	As at 30 June 2017	As at 31 December 2016	As at 31 March 2016
	HK\$'000	HK\$'000	HK\$'000
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Total assets	19,264,302	5,526,957	5,608,055
Cash and bank balances and time deposits	2,762,365	1,858,448	1,806,419
Total liabilities	7,064,055	2,567,227	2,830,863
Net current assets	11,855,520	2,830,351	3,012,621
Equity attributable to ordinary equity holders of the Company	12,200,233	2,949,371	2,688,403

The total assets increased significantly from approximately HK\$5.5 billion as at 31 December 2016 to HK\$19.3 billion as at 30 June 2017. The Group has diversified its business operations and expanded its business to include more substantive property investment and development in Hong Kong through its acquisition of two parcels of land, namely the New Kowloon Inland Lot no. 6563 (the “**6563 Land Parcel**”) and New Kowloon Inland Lot no. 6564 (the “**6564 Land Parcel**”) at an aggregate consideration of approximately HK\$13.0 billion in the first half of 2017. The acquisitions of the said land parcels had been financed by the Group’s internal resources, bank borrowings as well as by way of shareholder’s loans from HNA Finance I. Subsequently in June 2017, the Company has completed a rights issue with net proceeds of about HK\$9,250 million, of which about HK\$6,931 million was used to set off against the shareholder’s loan from HNA Finance I and about HK\$312 million was used to repay the Group’s bank loans up to 30 June 2017. Therefore, as at 30 June 2017, the equity attributable to ordinary equity holders of the Company increased to approximately HK\$12.2 billion. As at 30 June 2017, the Group had cash and bank balances of approximately HK\$2.8 billion, of which, approximately HK\$2.2 billion were time deposit with period of maturity varied from 7 days to 32 days, and bank borrowings of approximately HK\$5.3 billion.

Recent development on the property development business in Hong Kong

As discussed above, the Group has pursued a strategy to expand its property development business in Hong Kong. In particular, the Group has successfully bid for the 6363 Land Parcel and 6364 Land Parcel in Kai Tak, Kowloon, Hong Kong, for an aggregate consideration of approximately HK\$13.0 billion. Meanwhile, HNA Holding Group, through its subsidiaries, has also successfully bid for two other land parcels in Kai Tak, being the New Kowloon Inland Lot number 6562 (the “**6562 Land Parcel**”) and the 6565 Land Parcel, for an aggregate consideration of approximately HK\$14.2 billion.

On 6 July 2017, the Group, through Gainful Engineering Limited (“**Gainful**”), a wholly-owned subsidiary of the Company, entered into the project development agreements with the subsidiaries of

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HNA Group Co., Ltd. to exclusively appoint Gainful as the sole agent to develop the 6562 Land Parcel and 6565 Land Parcel. As disclosed in the circular of the Company dated 15 August 2017, the entering into of the project development agreements represented a business opportunity for the Group to enhance its long-term potential by seeking to extend its business through project management and construction related businesses in Hong Kong and allow the Group to receive a remuneration of an amount equal to 5% of the total project costs to be incurred for the development of the 6562 Land Parcel and the 6565 Land Parcel up to the end of the 12 months after practical completion of the development projects. As advised by the Management, the project development agreements will remain valid after completion of the Subscription and the transfer of entire issued share capital of Total Thrive to the Fund.

Based on the current development timetable as advised by the Management, the four land parcels will be developed concurrently under similar timetable. The general building plans have been submitted to the Buildings Department of the Hong Kong Government for approval in August 2017. The foundation works are expected to commence by the end of 2017. The pre-sale approvals are expected to be granted in around end of 2019 and the properties are expected to handover in around first half of 2022.

As disclosed in the 2017 Interim Report, in respect of the property development business in Hong Kong, despite the fierce competition, the Company considered that the Hong Kong residential market still offers better opportunity when compared with highly contested PRC markets. The Group will explore more property development and related project management opportunities in Hong Kong and consider the viability of each project on its own merits with reference to the prevailing market conditions.

1.2 Information on the 6565 Land Parcel

As disclosed in the valuation report of the 6565 Land Parcel (the “**Valuation Report**”) prepared by Knight Frank Petty Limited (the “**Valuer**”) as set out in Appendix I to the Circular, the 6565 Land Parcel is situated at Kai Tak Area 1K Site 3 in Kowloon, Hong Kong, which is on the southwestern side of Kai Tak River and in the southeastern side of the Kai Tak City Centre.

Kowloon East, comprising of Kwun Tong, Kowloon Bay and the Kai Tak district where the 6565 Land Parcel is located, is the area where the government-led rebranding campaign “Energising Kowloon East” located. The campaign aims to transform this area into the next Central Business District (CBD) in order to meet the demand for quality offices by the local financial and service sectors as well as regional headquarters and regional offices of multi-national companies. About 2 million m² of commercial/office space has been planned for within the 320 hectare Kai Tak district. A number of iconic commercial buildings, including the Kai Tak twin towers are expected to be completed in short to medium term.

Other than the commercial building district, the government aims to brand Kai Tak as the “Heritage, Green, Sports and Tourism Hub of Hong Kong”. With some 49,900 public and private housing units, an international cruise terminal, sports and tourism facilities, the Hong Kong Government believes that the development of Kai Tak district will inject new developments, vibrancy and diversity into the area.

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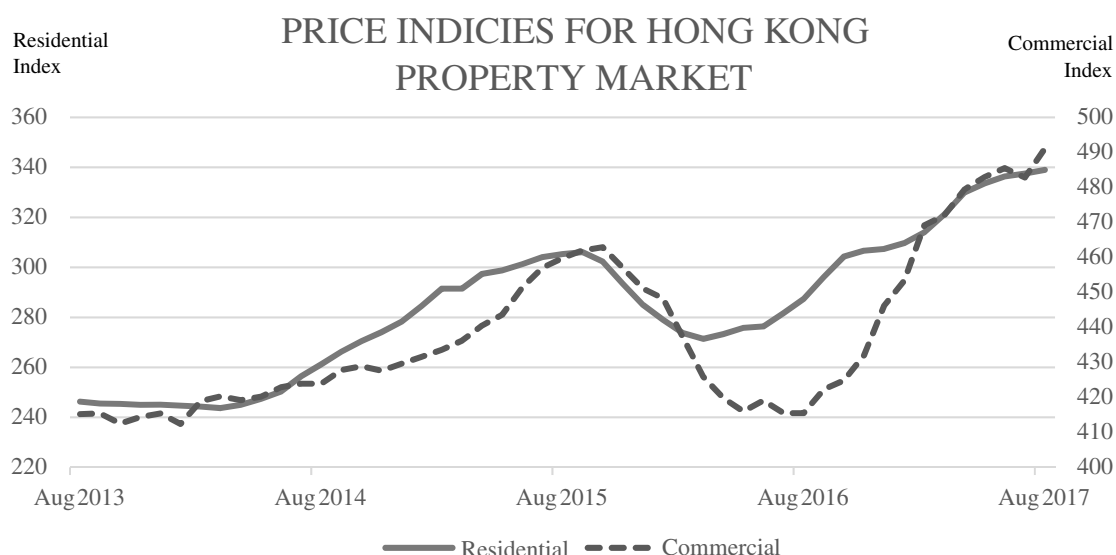
The accessibility of the district is expected to be enhanced by Kai Tak and To Kwa Wan MTR stations of the Shatin Line to Central between 2019 and 2021 together with the roads, rail-based environmentally friendly transport system, bridge link to Kwun Tong and various pedestrian connections to To Kwa Wan, Kowloon city, San Po Kong, Choi Hung, Kowloon Bay and Kwun Tong.

Based on the current development plan as advised by the Management, a high-end residential development comprising two high-rise blocks of about 32 storeys and four low-density apartment blocks of about 3-6 storeys are proposed with retail spaces and carparking facilities. The total gross floor area of the proposed development is approximately 654,602 sq. ft. including 630,351 sq. ft. and 24,251 sq. ft. for residential portion and retail portion respectively. As advised by the Management, the development costs for the development of the 6565 Land Parcel is intended to be financed by the HK\$728 million capital contribution by the Group and debt financing by the Fund.

1.3 Outlook of the residential property development market in Hong Kong

According to the statistics from the Rating and Valuation Department of the Hong Kong Government, residential and commercial property markets, property prices and rents in Hong Kong have been rising sharply in the past few years, reflecting a strong underlying demand for properties.

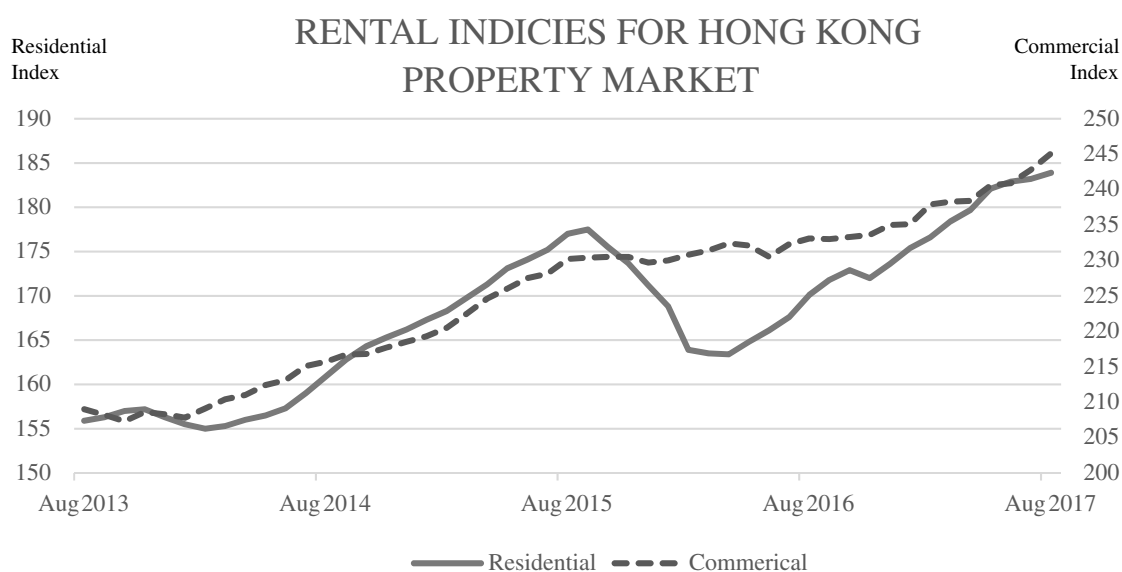
As demonstrated by the price index in the chart below, the price index for residential property raised from 246.3 in August 2013 to 339.0 in August 2017, representing a CAGR of approximately 8.3%; while that for commercial property raised from 415.2 in August 2013 to 491.1 in August 2017, representing a CAGR of approximately 4.3%.



Source: Rating and Valuation Department, Hong Kong Government

It is further noted from the rental index in chart below, the rental index for residential property raised from 155.9 in August 2013 to 189.3 in August 2017, representing a CAGR of approximately 5.0%; while that for commercial property raised from 209.0 in August 2013 to 245.1 in August 2017, representing a CAGR of approximately 4.1%.

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Source: Rating and Valuation Department, Hong Kong Government

In addition, according to the Valuer, Kowloon East, where the 6565 Land Parcel is located is undergoing rapid transformation into the city's next Central Business District (CBD) as well as a brand new community. Key infrastructure and government-led development projects are set to bold well for Kowloon East's property market and support land values in the area.

Having considered the above, and the current relatively low interest rate environment in Hong Kong, the Management are optimistic on the prospect of the property development market in Hong Kong, in particular, the potential of the development of the 6565 Land Parcel.

1.4 Reasons for and benefit of the Subscription

We have discussed with the Management in respect of the reasons for and benefits of the Subscription and have reviewed the current development plan provided by the Management. As disclosed in the Letter from the Board, the Subscription is in line with the overall development strategy of the Group and will be conducive to the Company's property development business. Set out below summarises the major reasons for and benefit of the Subscription as considered by the Management:

- (i) *The Subscription will allow the Group to invest in the 6565 Land Parcel and enjoy the economic benefits to be generated from the development of the 6565 Land Parcel*

Upon completion of the Subscription, the Group will hold about 12.07% interests in the Fund, which will hold the entire interests in the 6565 Land Parcel and will engage in the development of the 6565 Land Parcel into a residential and retail complex. Pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement, at the discretion of HKICIM (GP) II as the General Partner, the BDL, as Limited Partner to the Fund, is expected to receive basic distributions of 6% per annum compounded internal rate of return (the "IRR") and 80% of any excess distributions

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exceeds 6% IRR (the “**Excess Distributions**”) based on its aggregate capital contributions. This would allow the Group to capture the upside potential and economic benefits from the development of the 6565 Land Parcel and the overall market trend of the property market in Kai Tak district and would enhance the profit and shareholders’ value of the Group.

(ii) *The Subscription will improve the profit of the Group and also its capital utilisation*

Pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement, as the General Partner, the Group will receive an annual management fee equal to 1% of the aggregate capital commitments of the Fund. In addition, the Group will also entitle to 20% of the Excess Distributions as a General Partner and 80% of the Excess Distributions based on its capital contribution if the Fund has excess Investment Proceeds available for distribution beyond the basic distribution of 6% IRR. The annual management fee of 1% will provide a stable income to the Group and the Excess Distributions may generate further potential income for the Group. The Investment Proceeds of the Fund are expected to be distributed to the Partners at or before termination of the Fund, which will further enhance the capital gain, capital utilisation and profit of the Group.

(iii) *The positive outlook of the property market in Hong Kong*

The Directors considered that the prospects of the Hong Kong property market remain optimistic and believe that the Subscription will enlarge the Group’s property development business in Hong Kong, which will be conducive to the Group’s property development business. Further as discussed in section 1.3 above, the property pricing indices generally remains a growing trend in recent years and the relatively low interest rate environment remains and, in particular, as the development projects move closer to reality, the infrastructure, community, living and transportation environment within Kai Tak district will gradually expand leading to greater vibrancy including commercial, residential, tourism and sports elements, which are positive factors to the prospects of the property market in Eastern Kowloon area.

(iv) *The synergy effect in developing the 6565 Land Parcel together with the 6563 Land Parcel and 6564 Land Parcel owned by the Group*

The General Partner is responsible for the day-to-day operation and management of the Fund. HKICIM (GP) II, a wholly-owned subsidiary of the Company, is appointed as the General Partner. As such, the Group can have influence on the Fund’s investment on the development of the 6565 Land Parcel. The close proximity of the 6565 Land Parcel with the other two land parcels owned by the Group in Kai Tak district, namely the 6563 Land Parcel and 6564 Land Parcel will allow the Group to manage the development of the land parcels more efficiently and share the costs and resources in the course of development, including but not limited to (i) the enhanced cumulated branding effect; and (ii) the effectiveness of sales strategy and strengthened pricing power from development of the three land parcels in the same geographical area, and thus will enhance the overall return to the Group.

Notwithstanding that the IRR is not guaranteed, which is common for fund investment, and the distribution is expected to be taken place in 2022, considering the above and that (i) the possible drivers of the real estate market in Kai Tak district along with the “Energerising Kowloon East”

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campaign; and (ii) the gross development value of the properties to be developed on the 6565 Land Parcel, assuming it was completed as at 30 September 2017, of approximately HK\$15,550,000,000, the Directors are confident on the prospects of the development of the 6565 Land Parcel and the investment return on the Fund. Therefore, the Directors are of the view, and we concur that the Subscription is likely to contribute additional revenue to the Group, create synergy effect to achieve cost saving, improve its profitability and enlarge the return to the Shareholders in the future and is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As stated in the 2017 Interim Report, the Group will continue with its existing business developments as well as continue to maintain a prudent investment strategy and strive to strengthen the return to its Shareholders. Having considered that (i) the Group's recent development in the property development market in Hong Kong and the successful bid in land parcels in Kai Tak district by the Group and HNA Holding Group; (ii) the 6565 Land Parcel which is in close proximity with the land parcels held by the Group and the expected synergy effects in developing these land parcels concurrently; (iii) the positive market potential and industry outlook of residential market in Hong Kong, in particular the Kai Tak district, we concur with the Directors' view that the Subscription and the transactions contemplated thereunder, though not in the ordinary and usual business of the Group, would allow the Group to enjoy economic benefits of the 6565 Land Parcel and generate additional profit and in line with the business plan of the Group to expand its property development business in Hong Kong, thus are in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Amended and Restated Exempted Limited Partnership Agreement

2.1 Purpose of the Fund

The purpose of the Fund is primarily to (i) invest in the 6565 Land Parcel, with a view to generating income and capital appreciation, (ii) manage, supervise and dispose of such investments, and (iii) engage in such other activities incidental or ancillary thereto in the sole discretion of the General Partner.

2.2 Commencement and duration of the Fund

The Fund was established on 10 October 2017 pursuant to the terms of an initial limited partnership agreement. Pursuant to the Amended and Restated Exempted Limited Partnership Agreement, the Limited Partners shall be bound by the Amended and Restated Exempted Limited Partnership Agreement at such time as (i) a subscription agreement or a counterpart thereof is executed by such Limited Partner and accepted by the General Partner, and (ii) the Amended and Restated Exempted Limited Partnership Agreement is executed by all relevant parties (the "**Initial Closing Date**").

Subject to the Amended and Restated Exempted Limited Partnership Agreement and the applicable laws and regulations, the Fund shall continue until expiry of the fifth (5th) anniversary of the Initial Closing Date (the "**Initial Duration**"). The term of the Fund may be shortened, or extended for up to a maximum of two consecutive one-year periods, as determined by the General Partner at its sole discretion.

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2.3 Committed Fund Size

The Committed Fund Size shall be HK\$6,030 million. The respective commitments of the Partners are set out as follows:

Partners	Commitments <i>HK\$ (million)</i> <i>Approximately</i>	Percentage <i>(%)</i> <i>Approximately</i>
BDL (as Limited Partner)	667.7	11.07
Hisea International (as Limited Partner)	5,302	87.93
HKICIM (GP) II (as General Partner)	60.3	1.00
Total	6,030	100.00

Each Limited Partner shall contribute capital to the Fund upon notice from the General Partner at such time as the General Partner shall deem appropriate, as specified therein. The notice shall specify the amount of such capital to be made by the respective Limited Partner and the time at which such capital to be made.

Each of the Limited Partners shall contribute capital to the Fund proportionally in accordance with their respective commitments pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement.

As advised by the Management, we understand that, subject to obtaining of the Independent Shareholders' approval of the Subscription, the Group will satisfy the commitments in cash to the Fund, whereas Hisea International will satisfy its commitments by transferring its entire issued shares of Total Thrive to the Fund and the Fund will issue and allot the Consideration Shares to Hisea International. The Company intends to finance its capital commitment by using internal resources of the Group.

The capital commitment to be made by Hisea International was determined at arm's length negotiation with reference to the Adjusted NAV (as defined below) of the Total Thrive Group of approximately HK\$5,350 million, which primarily comprising of cost for the 6565 Land Parcel of approximately HK\$8,837 million net of bank borrowing of approximately HK\$3,500 million.

The capital commitment to be made by the Group was determined at arm's length negotiation with reference to the total projected development costs of the 6565 Land Parcel deducted by the maximum banking facilities which the Fund is able to obtain under normal market practice according to the Management's discussion with independent banks.

We have reviewed the development plan of the 6565 Land Parcel and the correspondence from independent banks on the maximum banking facilities the Fund can obtain under normal market practice, which are consistent with the above. We have also reviewed the circular on risk management for lending to property developers issued by the Hong Kong Monetary Authority ("HKMA") on 12 May 2017 and noted that the loan to value ratios on property mortgage lending applied by the HKMA on authorised institutions should not exceed 40% of the site value and 80% of the construction cost

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of the property with an overall cap lower than 50% of the expected value of the completed properties. Having consider the basis of the capital commitment of each of the Group and Hisea International stated above and the interests of the Group and Hisea International in the Fund is proportional to the respective capital commitment to the Fund, we concur with the Directors that the Committed Fund Size and the percentage of the capital commitment of the Group were fair and reasonable.

Commitments by the Group

As disclosed in the Letter from the Board, the capital commitment to be made by the Group to the Fund was determined after arm's length negotiation among the parties under the Amended and Restated Exempted Limited Partnership Agreement, with reference to, among others, (i) the market value of the 6565 Land Parcel; (ii) the potential of the development of the 6565 Land Parcel; and (iii) the size of the anticipated investments to be made by the Fund in the 6565 Land Parcel.

We have discussed the above basis with the Company and we understand that the Company has also assessed (i) the cash position and working capital condition of the Group; and (ii) the development plan and financing plan of the 6565 Land Parcel. As set out in the Letter from the Board, the Group will draw on its internal resources to meet its commitment of HK\$728 million under the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement. Given that (i) the Group had maintained cash and bank balances and time deposits of approximately HK\$2.8 billion and HK\$2.9 billion as at 30 June 2017 and 30 September 2017; (ii) as advised by the Management, the Company is not aware of any material adverse change in its cash position and working capital condition subsequent to 30 June 2017; and (iii) the Directors confirmed that the Group will have sufficient working capital to meet its requirements for the next twelve months from the date of the Circular, the Directors believes, and we concur, that the Group has sufficient resources to meet its commitments under the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement. As advised by the Management, we understand that the capital commitment of the Group of HK\$728 million will be applied as part of the development costs of the 6565 Land Parcel and the remaining balances will be financed by bank borrowings. The General Partner has no current intention to raise additional funds from the existing Partners nor introduce additional Limited Partner to the Fund within the development timeframe. However, in the event that further capital is required to be contributed by the Partners as determined by the General Partner, given that (i) each of the Partners shall contribute capital to the Fund proportionally in accordance with their respective commitment and the Group will only hold 12.07% equity interest of the Fund upon completion of the Subscription; (ii) the General Partner is controlled by the Company, the Directors believes, and we concur, that the Group will have the sole discretion and flexibility to manage the timing and amounts of its future contribution in accordance with the Group's available financial resources. Taking into account the above, the Directors are of the view, and we concur, that the future capital contributions to the Fund, if necessary, will be controlled by the Group and will be determined in a manner that is in the interests of the Company and the Shareholders as a whole.

Commitments by Hisea International

As discussed above, we understand that Hisea International will satisfy its commitment by transferring the entire issued share capital of Total Thrive to the Fund.

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As advised by the Management, Total Thrive is a company incorporated in the BVI with limited liability, and is held as to approximately 50.23% and 49.77% by HKIIG and Hisea International, respectively, as at the date of the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement. Total Thrive holds the entire issued share capital of HIC which in turn is the sole registered and beneficial owner of the 6565 Land Parcel. As advised by the Management, save for the holding of the 6565 Land Parcel, Total Thrive Group has had no material operation and revenue and only incurred negligible administrative expenses since its incorporation.

As advised by the Management, Total Thrive had completed the legal procedure to forfeit the shareholding of HKIIG in Total Thrive on 19 October 2017 (the “**Forfeiture**”). Upon completion of the Forfeiture, Hisea International holds the entire issued share capital of Total Thrive.

We have discussed with the Management the relevant basis of determination of the commitment of Hisea International and we understand that the commitment of HK\$5,302 million was arrived at after arm’s length negotiations between General Partner and Hisea International after taking into account, among others, the Adjusted NAV (as defined below) of the Total Thrive Group.

As disclosed in the Letter from the Board, as at 30 September 2017, based on the management accounts of the Total Thrive Group, the consolidated net asset value of the Total Thrive Group was amounted to approximately HK\$10,750 million. Upon completion of the Forfeiture, the consolidated net asset value of the Total Thrive Group was adjusted to approximately HK\$5,350 million (the “Adjusted NAV”), primarily comprising of cost for the 6565 Land Parcel of approximately HK\$8,837 million net of bank borrowing of approximately HK\$3,500 million.

Given that the principal assets of the Total Thrive Group is the 6565 Land Parcel, in order to assess the fairness and reasonableness of the commitment by Hisea International by way of the transfer of entire issued share capital of Total Thrive, our analysis focuses on the market value of the 6565 Land Parcel based on its valuation as at 30 September 2017 prepared by the Valuer (the “**Valuation**”) and the Adjusted NAV after taking into account the difference between the Valuation and the cost of the 6565 Land Parcel based on the management accounts as at 30 September 2017 of the Total Thrive Group.

Valuation

We have reviewed the valuation report (the “**Valuation Report**”) in respect of the Valuation of the 6565 Land Parcel which is contained in Appendix I to the Circular. The 6565 Land Parcel was valued by Knight Frank Petty Limited, an independent property valuer appointed by the Company. According to the Valuation Report, the fair value of the 6565 Land Parcel was approximately HK\$8,840,000,000 as at 30 September 2017. Set out below is a summary of certain major information as extracted from the Valuation Report.

(i) *Experience of the Valuer and its engagement*

We have conducted an interview with the Valuer regarding its experience in valuing similar real property interests in Hong Kong, and its independence. Based on our interview with the Valuer, we understand that the Valuer is an established independent property valuer with a large number of

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completed assignments acting for listed companies with property interests in, among others, Hong Kong. We also understand that the valuer-in-charge of the Valuer's valuation team has over 14 years' post-qualification experience in the valuation of properties in Hong Kong and the relevant valuation team members have valuation experience ranging from 12 years to 17 years.

We have also reviewed the terms of engagement letter of the Valuer and noted that the purpose of which is to prepare a property valuation report and provide the Company with the opinion of value on the 6565 Land Parcel. The engagement letter also contains standard valuation scopes that are typical of property valuation carried out by independent property valuers. The Valuer also confirmed that it did not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation. There is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by the Valuer in the Valuation Report. We note that the Valuer mainly carried out its due diligence through management enquiries and conducted its own proprietary research and has relied on publicly available information obtained through its own research as well as the financial information provided by the Management. We were advised by Valuer that it has assumed such information to be true, complete and accurate and has accepted it without verification. The Valuer, through its team of professional valuers, has inspected the subject properties in 9 October 2017.

Based on the above, we are satisfied that the responsible person of the Valuer for the Valuation Report has relevant qualification as well as sufficient experience in performing the valuation, and that the engagement is under normal commercial terms and the scope of the Valuer's work is appropriate in conducting the valuation.

(ii) *Valuation methodologies*

As disclosed in the Valuation Report, the Valuer has assumed that all consents, approvals, licences from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays, and that the design and construction of the development is in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at its opinion of values, the Valuer adopted the direct comparison method by making reference to comparable land sale transactions as available in the relevant market. The Valuer has also taken into account the development potential of the property interest by assuming completion as at the valuation date in accordance with the given development proposals and adopting the direct comparison approach through making reference to sales evidence as available in the market and taking into account the given expended construction costs as well as the costs which will be expended to complete the developments. As discussed with the Valuer, the Valuer confirmed that the aforementioned valuation method is a generally accepted method when determining the value of property interest.

Based on the above, we have discussed with the Valuer on the rationale of adopting the direct comparison method for valuing the 6565 Land Parcel. According to the Valuer, the direct comparison method is the most appropriate valuation method for assessing the market values of the properties interests to derive the market value of the subject properties as if completed, and then deducts the relevant estimated construction costs and other expenses to arrive at the final market value of the subject property. Also, we have discussed with the Valuer on the other methods (including cost method

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and income method) in valuing the 6565 Land Parcel. According to the Valuer, (i) the cost method is used only when there is no market parameter available, but it is not in this case; and (ii) income method has to make some assumptions and projection of the timing of cash flow which are subject to uncertainties. We understand from the Valuer that it is common market practice in evaluating similar kind of land property by making reference to comparable sales as available in the market and taking into account the cost expended on the development. Therefore, we concur with the view of the Valuer that direct comparison method is appropriate in valuing the 6565 Land Parcel.

After considering the reasons for the Valuer's choice of adopting the valuation methodology for valuing the 6565 Land Parcel, we are of the opinion that, the valuation methodologies used are reasonable and acceptable in establishing the market value of the 6565 Land Parcel as at 30 September 2017.

(iii) *Valuation bases and assumptions*

The Valuer first adopted the direct comparison approach to derive the market value of the subject properties as if completed, and then deducted the relevant construction costs and other expenses to arrive at the final market value of the subject properties.

We note that the Valuer started the process by collecting and analysing the recent transactions of the market comparables located in the proximity of the 6565 Land Parcel. The collected comparables were then adjusted to reflect the difference between the comparables and the 6565 Land Parcel in terms of, among others, location, date of transaction, land usage, land use term, plot ratio, land size and nearby infrastructure. In the above cases, the relevant construction costs and other expenses which were deducted from the market value of the subject properties as if completed to arrive at the appraised value of the subject properties were estimated relevant construction costs and expenses to complete the subject properties. The Valuer confirmed that they had assessed the reasonableness of the relevant construction costs and other expenses to be incurred for the relevant property development projects against the relevant budgets provided by the management of the Total Thrive Group as well as the Valuer's internal database of historical construction expenses of similar project development projects.

We have discussed with the Valuer on their workings on the selection of the market comparables. We are of the view that the basis of selection of market comparables, including various factors taken into account, made for reflecting the difference between the selected comparables and the 6565 Land Parcel are reasonable and relevant for the purpose of establishing the appraised value of the 6565 Land Parcel. Moreover, the Valuer also advised that, in valuing each of the Properties, they have complied with (i) The HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors and The RICS Valuation — Global Standards 2017 issued by Royal Institution of Chartered Surveyors; and (ii) the requirement set out in Chapter 5 of the Listing Rules. After taken into account the above, we consider that the valuation methodology, together with its bases and assumptions, adopted by the Valuer for the valuation of the 6565 Land Parcel as discussed above are reasonable and in line with market practice.

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(iv) *Assessment of the commitments of Hisea International*

Set out below table is the comparison between the reassessed Adjusted NAV of the Total Thrive Group and the commitments of Hisea International to the Fund:

	<i>HK\$' million</i>
Adjusted NAV of the Total Thrive Group as at 30 September 2017 after taking into account the effect on Forfeiture	5,350
Add: appreciation of the Valuation of the 6565 Land Parcel as compared to land cost (<i>Note</i>)	<u>3</u>
Reassessed Adjusted NAV	5,353
Commitment of Hisea International	5,302
Discount of commitment to reassessed Adjusted NAV	0.95%

Note:

Being the difference between the Valuation of HK\$8,840 million as at 30 September 2017 based on the Valuation Report and the corresponding land cost of HK\$8,837 million as at 30 September 2017 based on the management accounts of the Total Thrive Group.

As illustrated above, the commitment of Hisea International of approximately HK\$5,302 million is at a slight discount of approximately 0.95% to the reassessed Adjusted NAV of HK\$5,353 million. In view of (i) the commitment of Hisea International is at a discount to the reassessed Adjusted NAV, which we consider to be a commonly adopted approach in assessing the fairness of the consideration for property investment and development companies; and (ii) valuation methodologies and the bases and assumptions adopted by the Valuer in establishing the fair value of the 6565 Land Parcel are reasonable and acceptable as discussed in above, we consider that the basis of determination and thus the commitment of Hisea International to the Fund is fair and reasonable.

2.4 Management of the Fund and Management Fee

The General Partner is responsible for the day-to-day operation and management of the Fund, including without limitation, performing the management and administrative services necessary for the operation of the Fund, opening, maintaining and closing accounts with banks, brokers and custodians, and retaining third parties for necessary services relating to the operation of the Fund. HKICIM (GP) II, a wholly-owned subsidiary of the Company, is appointed as the General Partner.

From the Initial Closing Date, the Fund will pay the General Partner an annual Management Fee equal to 1% of the aggregate capital commitments of the Fund as at December 31 of each calendar year as compensation for managing the affairs of the Fund. We have discussed with the Management and understand that the management fee is determined after arm's length negotiation among the parties

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under the Amended and Restated Exempted Limited Partnership Agreement, with reference to (i) the nature of the investment by the Fund, (ii) the expected level of management activities required from the General Partner over the term of the Fund, and (iii) the market range of management fee charged by other fund sponsors.

2.5 Distributions

The General Partner may, in its sole discretion, determine to cause the Fund to make distributions of cash, securities and other property to the Partners at any time and from time to time pursuant to the terms under the Amended and Restated Exempted Limited Partnership Agreement.

Investment Proceeds from investment in respect of the 6565 Land Parcel shall be apportioned preliminary among the Partners in proportion to their sharing percentages with respect to the applicable investment. The amount so apportioned to any Partner shall generally be distributed between the General Partner and such Partner (subject to the terms of the Amended and Restated Exempted Limited Partnership Agreement) as follows:

- (a) First, 100% to such Partner until such Partner has received cumulative distributions equal to such Partner's aggregate capital contributions in connection with making, maintaining or disposing of any investment by the Fund.
- (b) Second, 100% to such Partner until such Partner has received 6% per annum annually compounded internal rate of return on its aggregate capital contributions referred to in (a).
- (c) Third, thereafter, (i) 20% to the General Partner and (ii) 80% to such Partner.

Given that (i) the Investment Proceeds will be distributed in the sole discretion of the General Partner; (ii) the Investment Proceeds will be distributed in accordance with the Partner's aggregate capital contributions to all Partners at the same time and same rate; (iii) the General Partner will further receive 20% of Excess Distributions, the Directors considered and we concurred that the distribution clause is fair and reasonable and is beneficial to the Group.

2.6 Transfer of the Fund

Subject to the terms of the Amended and Restated Exempted Limited Partnership Agreement, any transfer of interest in the Fund by a Limited Partner is subject to the consent of the General Partner in its absolute discretion.

2.7 Market comparable analysis

In order to assess the fairness and reasonableness of the terms of the Amended and Restated Exempted Limited Partnership Agreement, in particular, the Management Fee and the Initial Duration of the Fund, with regard to common features of fund structure, we have, to the best of our knowledge and as far as we are aware, identified one announcement in relation to fund formation by companies listed on the Stock Exchange in relation to investment in land or property development from 13 April 2017 up to the date of the Amended and Restated Exempted Limited Partnership Agreement, being an approximate six months period before the entering into of the Amended and Restated Exempted Limited Partnership Agreement which we considered to be appropriate to reflect recent market statistics on comparable transactions. Due to the limited number of fund formation by companies

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listed on the Stock Exchange whose investment purpose is considered to be comparable to that of the Fund, we have extended our research scope and to the best of our knowledge and as far as we are aware, identified 18 announcements of fund formation by companies listed on the Stock Exchange (the “Comparable(s)”), which we consider to be exhaustive and complete, from 13 April 2017 up to the date of the Amended and Restated Exempted Limited Partnership Agreement. Given the structure of the Fund with only one General Partner and two Limited Partners is relative simple, we do not consider the complexity of funds as a key identifier for Comparables. Details of our analysis are set out in the table below:

Date of announcement	Company (stock code)	Purpose of the fund	Approximate committed fund size (HK\$ million) (Note)	Management fee per annum	Initial duration of the fund (years)	Guaranteed return
10 October 2017	Top Spring International Holdings Limited (3688)	Investment in tourism, cultural and/or real estate related projects	5,904	2% of the balance of the capital contribution made by the limited partners to the fund	7	Undisclosed
18 September 2017	Viva China Holdings Limited (8032)	Investment in sport community development projects	1,770	2% on the actual capital contributions of the limited partners for the first five years, and 2% per annum on the total unreturned capital contributions of the limited partners thereafter	8	No
14 September 2017	Beijing Beida Jade Bird Universal Sci-Tech Company Limited (8095)	Investment in target semiconductor industry chain projects	413	1.08%	5	No

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Date of announcement	Company (stock code)	Purpose of the fund	Approximate committed fund size (HK\$ million) (Note)	Management fee per annum	Initial duration of the fund (years)	Guaranteed return
1 September 2017	Zhejiang Yongan Rongtong Holdings Co., Ltd (8211)	Investment in financial technology sector	354	2% of the aggregate sum of the capital contribution made by all partners after deducting the amount of investment in respect of withdrawn projects for the first four years and 1.5% of the same clause thereafter	7	No
17 August 2017	Joy City Property Limited (207)	Acquisition of property projects	13,110	Undisclosed	8	No
15 August 2017	Shandong Chenming Paper Holdings Limited (1812)	Investments in Pre-IPO enterprises	590	2%	5	No
9 August 2017	Beijing Enterprises Water Group Limited (371)	Investment in water and environmental projects and infrastructure projects	27,778	Undisclosed	30	No

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Date of announcement	Company (stock code)	Purpose of the fund	Approximate committed fund size (HK\$ million) (Note)	Management fee per annum	Initial duration of the fund (years)	Guaranteed return
1 August 2017	V1 Group Limited (82)	Investment in unlisted companies with high growth and innovative industries engaging in internet, artificial intelligenc, and medical and health care	581	2%	7	No
6 July 2017	Dongjiang Environmental Company Limited (895)	Investment in environmental protection industry	649	2%	5	No
16 June 2017	Huarong International Financial Holdings Limited (993)	Investment in financial products	1,000	0%	3	No
16 June 2017	China International Capital Corporation Limited (3908)	Investment in high-technology industries	470	2%	8	No
9 June 2017	China Gas Holdings Limited (384)	Investment in energy projects	11,801	0.02%	7	No
23 May 2017	Aluminum Corporation of China Limited (2600)	Debt investment	2,360	0.05%	10	No

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Date of announcement	Company (stock code)	Purpose of the fund	Approximate committed fund size (HK\$ million) (Note)	Management fee per annum	Initial duration of the fund (years)	Guaranteed return
16 May 2017	CNQC International Holdings Limited (1240)	Investment holding	2,180	Undisclosed	5	No
12 May 2017	A8 New Media Group Limited (800)	Venture capital management	705	2% of the difference between the actual capital contributions by all the partners and the investment cost of the withdrawn investment projects	7	No
28 April 2017	Huayi Tencent Entertainment Company Limited (419)	Investment in film projects	68	Undisclosed	5	No
27 Apr 2017	Anhui Expressway Company Limited (995)	Development in operating activities of the fund	3,540	2% of the capital commitment for the first five years, 1% of the aggregate invested amount for the last two years	7	No

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Date of announcement	Company (stock code)	Purpose of the fund	Approximate committed fund size (HK\$ million) (Note)	Management fee per annum	Initial duration of the fund (years)	Guaranteed return
18 April 2017	China High Speed Transmission Equipment Group Co., Ltd (658)	To establish and invest in 浙江浙商產融控股有限公司 (Zhejiang Zheshang Chanrong Holdings Co., Ltd.*), and to Establish and invest in sub-funds	77,774	1% or 0.5% (subject to types of partner)	Undisclosed	No
			Highest	2%	30	
			Lowest	0%	3	
13 October 2017	Fund	Development of 6565 Land Parcel	6,030	1%	5	No

Source: Website of the Stock Exchange

Note: For illustrative purpose, the exchange rate of RMB1.00 = HK\$1.18 and US\$1.00 = HK\$7.75 have been used, where applicable, for the committed fund size not denominated in Hong Kong dollars in the announcement of the Comparables.

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View on the Initial Duration pursuant to Rule 14A.52

In assessing the reasons why the Initial Duration requires a period longer than three years, we have taken into consideration the information set out in the Circular and provided by the Management, and the discussion with the Management. We understand from the Management that the Initial Duration was determined with reference to the expected development timeframe of the 6565 Land Parcel. As discussed in the subsection headed 1.1 above, the properties on the 6565 Land Parcel is expected to handover in around first half of year 2022. It is noted that the Initial Duration of the Fund of 5 years is consistent with the expected timeframe of completion of the development of the 6565 Land Parcel.

Further, in assessing whether it is normal business practice for agreements of similar nature with the Amended and Restated Exempted Limited Partnership Agreement to have a term of such duration, we have compared the terms of the Amended and Restated Exempted Limited Partnership Agreement with those of the Comparables as detailed above. It is noted that the initial duration of the Comparables ranges from 3 years to 30 years. The Initial Duration of the Fund of 5 years falls within such range.

Taking into account of the above, we considered that the Initial Duration of 5 years is fair and reasonable and it is normal business practice for the Amended and Restated Exempted Limited Partnership Agreement and payment of Management Fee to be of such duration.

View on the fairness and reasonableness of the Management Fee and the distribution with no guaranteed return clause

As illustrated in the table above, the respective management fee of the Comparables ranges from 0% and 2% per annum with an average of approximately 1.4%. Given (i) the Management Fee of 1% per annum is slightly below the average but within such range; and (ii) the return of most of the Comparables were not guaranteed, we consider that the Management Fee and the no guaranteed return clause of the Fund to be fair and reasonable in this regard.

2.8 Other major terms of the Amended and Restated Exempted Limited Partnership Agreement

We have also reviewed the other major terms of the Amended and Restated Exempted Limited Partnership Agreement, including but not limited to the rights and obligations of General Partner and Limited Partner, dissolution of the Fund and valuation of partnership assets, and are not aware of any terms which are exceptional to normal market practice.

2.9 Conclusion

Based on the foregoing, we are of the opinion that the terms of the Amended and Restated Exempted Limited Partnership Agreement are based on normal commercial terms and are fair and reasonable.

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3. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, BDL shall (i) irrevocably subscribe for and covenant to purchase from the Fund an interest as a Limited Partner in the Fund with a capital commitment of approximately HK\$667.7 million to the Fund, representing approximately 11.07% of the Committed Fund Size; (ii) covenant to become a Limited Partner of the Fund upon acceptance; and (iii) covenant to be bound by the terms and provisions of the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement. It is noted that the terms of the Subscription Agreement are consistent with those of the Amended and Restated Exempted Limited Partnership Agreement and are administrative in nature. As such, we consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable.

4. Financial effects of the Subscription

Upon completion of the Subscription, the capital contribution and equity interest in the Fund will be owned as to 11.07% by BDL (as Limited Partner), 87.93% by Hisea International (as Limited Partner) and 1.00% by HKICIM (GP) II (as General Partner). Accordingly, the financial results of the Fund will not be consolidated into the financial statements of the Group.

4.1 Earnings

As advised by the Management, immediately upon the Completion, save for the transaction cost to the Subscription, it is not expected to have any material adverse impact to the earnings of the Group. Following the Completion, the Group will entitle to the management fee of 1% to the Committed Fund Size per annum (equivalent to approximately HK\$60.3 million per year) assuming no change to the aggregate capital commitments of the Fund up to its termination and the distributions from the Fund at the sole discretion of the General Partner. The Group's earning will be increased upon receiving such management fee income.

4.2 Net asset value

The Fund will be accounted for as an investment. Therefore, the Management considered that there will not be any material adverse impact to the Group's net asset value immediately upon Completion.

4.3 Working capital

Pursuant to the Amended and Restated Exempted Limited Partnership Agreement, the capital commitment to the Fund to be borne by the Group is HK\$728 million. As advised by the Management, the commitment will be financed by internal resources of the Group. As disclosed in the 2017 Interim Report, the Group had cash and bank balance and time deposit of approximately HK\$2.8 billion. As confirmed by the Directors, the Group will have sufficient working capital to meet its requirements for the next twelve months from the date of the Circular and they do not foresee the payment of commitment to the Fund will have material adverse impact to the working capital of the Group.

In additional, we have discussed with the Management, and were advised that the cash and cash equivalent of approximately HK\$2.8 billion and HK\$2.9 billion as at 30 June 2017 and 30 September 2017, which is sufficient to fund the portion of the expected development cost of the 6563 Land Parcel and the 6564 Land Parcel to be funded by internal resources, and the capital commitment to be made by the Group under the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The remaining portion of the expected development cost of the 6563 Land Parcel and the 6564 Land Parcel will be funded by bank borrowings, which as advised by the Management, the Group is expected to obtain under normal market practice according to the Management's discussion with independent banks.

As disclosed in the Letter from the Board, as at the Latest Practicable Date, for the period from 2017 to 2022, the total capital expenditure for developing the 6563 Land Parcel and the 6564 Land Parcel is expected to be approximately HK\$2.8 billion and HK\$2.3 billion respectively, and the expected capital expenditures for the development of the 6563 Land Parcel and the 6564 Land Parcel for the year ending 31 December 2017 and 2018 are set out below:

	Expected capital expenditures	
	For the year ending 31 December 2017 (HK\$)	For the year ending 31 December 2018 (HK\$)
6563 Land Parcel	29 million	360 million
6564 Land Parcel	24 million	355 million

Having considered the above, the cash and bank balances of the Company of approximately HK\$2.9 billion as at 30 September 2017 as disclosed in Letter from the Board and according to the circular on risk management for lending to property developers issued by HKMA which stated that the loan to value ratios on property mortgage lending applied by the HKMA on authorized institutions should not exceed 40% of the site value and 80% of the construction cost of the property with an overall cap lower than 50% of the expected value of the completed properties, we concur with the Directors that the Group will have sufficient working capital to meet its requirements for the next twelve months.

4.4 Cash flow

Pursuant to the Amended and Restated Exempted Limited Partnership Agreement, the capital commitment to the Fund to be borne by the Group is HK\$728 million, the cash and cash equivalents of the Group will decrease upon Completion. According to the 2017 Interim Report, the Group has cash and cash equivalents of approximately HK\$2.8 billion, thus, we concur with the view of the Management that the Subscription will not have material adverse impact to the cash flow of the Group.

In view of the foregoing, in particular, the relevant accounting treatment of the Company on the Subscription and the potential income from the Management Fee and distributions from the Fund, we concur with the view of the Management that the Subscription will not have material adverse impact to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms and conditions of the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement are fair and reasonable and on normal commercial terms; and (ii) the Subscription and the transactions contemplated thereunder, though not in its ordinary and usual course of business, are in line with the business strategy of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution(s) approving the Subscription and the transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 12 years of experience in the auditing and investment banking industry.

* *for identification purpose only*

The following is the valuation report prepared for the purpose of incorporation in this circular received from Knight Frank Petty Limited, an independent valuer, in connection with its valuation of 6565 Land Parcel as at 30 September 2017.



Knight Frank Petty Limited
4th Floor, Shui On Centre
6-8 Harbour Road
Wan Chai, Hong Kong

4 November 2017

The Board of Directors
Hong Kong International Construction Investment Management Group Co., Limited
20/F One Island South
No 2 Heung Yip Road
Wong Chuk Hang
Hong Kong

Dear Sirs

Valuation in Respect of New Kowloon Inland Lot No 6565, Kai Tak Area 1K Site 3, Kai Tak, Kowloon (the “Property Interest”)

In accordance with the instructions to us from Hong Kong International Construction Investment Management Group Co. Limited (hereinafter referred to as the “**Company**”) to value the Property Interest held by its wholly-owned subsidiary (hereinafter together referred to as the “**Group**”), we confirm that we have carried out external inspection, made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property Interest in its existing state as a development site as at 30 September 2017 (the “**Valuation Date**”) for public disclosure purposes.

Basis of Valuation

In arriving at our opinion of the market value, we followed “The HKIS Valuation Standards (2012 Edition)” issued by The Hong Kong Institute of Surveyors (“**HKIS**”) and “The RICS Valuation — Global Standards 2017” issued by the Royal Institution of Chartered Surveyors (“**RICS**”). Under the said standards, Market Value is defined as:-

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

The market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

The market value is also the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

Our valuation complies with the requirements as set out in “The HKIS Valuation Standards (2012 Edition)” issued by HKIS, “The RICS Valuation — Global Standards 2017” issued by RICS and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Valuation Methodology

In forming our opinion of value of the Property Interest, we have adopted the Direct Comparison Method by making reference to comparable land sale transactions as available in the relevant market. We have made our assessment on the basis of a collation and analysis of appropriate comparable sale transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the subject property, taking into account, location, time, terms, covenant and other material factors.

We have also taken into account the development potential of the Property Interest. We have cross-checked the assessed value on the basis that it will be developed and completed in accordance with the latest development proposal given by the Group. We have assumed that all consents, approvals, licences from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the development is in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. We adopted the Direct Comparison Approach by making reference to sales evidence as available in the market and have also taken into account the given expended construction costs as well as the costs which will be expended to complete the developments. The value of Property Interest assuming completion as at the Valuation Date in accordance with the given development proposals represents our opinion of the aggregate selling prices of the assumed completed development.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions:-

Title Documents and Encumbrances

In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property Interest is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoings.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property Interest nor for any expenses or taxation which may be incurred in effecting a sale.

Source of Information

We have relied to a very considerable extent on information given by the Group. We have accepted advice given to us on such matters as planning approval, statutory notice, easement, tenure, site area, floor areas, number of carparking spaces and all other relevant matters. We have not verified the correctness of any information, including their translation supplied to us concerning the Property Interest, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property Interest or contained on the register of title. We assume that this information is complete and correct.

Inspection

The external inspection of the Property Interest was undertaken by a qualified surveyor on 9 October 2017.

Identity of the Property Interest to be Valued

We have exercised reasonable care and skill to ensure that the Property Interest is the Property Interest inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property interest to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

Property Insurance

We have valued the Property Interest on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Site Boundary

We were not able to delineate the exact boundary of the Property Interest nor were we able to carry out detailed site measurements to verify the correctness of the site area of the Property Interest. Nevertheless, we have based on the site area of the Property Interest as obtained from the Government records in preparing our valuation.

Areas and Age

In our valuations, we have relied upon areas provided to us. We have also assumed that the site areas, measurements and dimensions shown on the documents handed to us are correct and in approximations only.

Structural and Services Condition

We have not undertaken any structural surveys, tested the services or arranged for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the Property Interest. Our valuation has therefore been undertaken on the basis that the services, including but not limited to the drain, waterway or watercourse, water main, sewer, cable, wire and pipe and other utility services, etc to the Property Interest was approved and connected and the services functioned satisfactorily.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property Interest are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation is prepared on the assumption that the Property Interest is unaffected. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Property Interest was constructed, occupied and used in full compliance with, and without contravention of any Ordinances, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property Interest upon which this report is based, any and all required licences, permits, certificates, consents, approvals and authorisation have been obtained, except only where otherwise stated.

Limitations on Liability

In accordance with our standard practice, we must state that this valuation is for the use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this valuation.

Knight Frank has prepared the valuation based on information and data available to us as at the Valuation Date. It must be recognised that the real estate market is subject to market fluctuations, while changes in policy direction and social environment could be immediate and have sweeping impact on the real estate market. It should therefore be noted that any market violation, policy and social changes or other unexpected incidents after the Valuation Date may affect the value of the Property Interest.

Currency

Unless otherwise stated, all monetary figures in this valuation report will be in Hong Kong Dollars (HK\$).

Area Conversion

The area conversion factors in this report are taken as follows:

1 sq m = 10.764 sq ft

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Thomas Lam

FRICS FHKIS RPS(GP) RICS Registered Valuer
Senior Director, Head of Valuation & Consultancy

Yours faithfully
For and on behalf of
Knight Frank Petty Limited
Natalie Wong

MRICS MHKIS RICS Registered Valuer
Director, General Valuation

Notes: Thomas Lam is a qualified valuer who has 17 years of extensive experiences in market research, valuation and consultancy in the PRC, Hong Kong, Macao and Asia Pacific region.

Natalie Wong is a qualified valuer who has about 12 years of experience in valuation of properties in Hong Kong.

VALUATION

The Property Interest held by the Group for Development

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as a development site as at 30 September 2017
1. Kai Tak Area 1K Site 3 Kai Tak Kowloon	The Property Interest comprises a parcel of land with a site area of 11,262 sq m (121,224 sq ft) or thereabouts.	Upon our inspection, the Property Interest was a vacant development site and planned for development.	HK\$8,840,000,000 Hong Kong Dollars Eight Billion Eight Hundred and Forty Million
New Kowloon Inland Lot No 6565 (“NKIL 6565”)	<p>The Property Interest is a development site located on the southwestern side of Kai Tak River and in the southeastern side of the Kai Tak City Centre. Kai Tak City Centre is undergoing transformation into a comprehensive development area for residential, commercial and leisure purposes.</p> <p>The Property Interest is planned to be developed into a high-end residential development with retail and carparking facilities. The total Gross Floor Area is 60,814 sq m (654,602 sq ft) or thereabout.</p> <p>NKIL 6565 is held under the Conditions of Sale No 20283 for a term of 50 years from 29 November 2016 at an annual rent equivalent to 3% of the rateable value from time to time of the Property Interest subject to a minimum rent of HK\$1 per annum (if demanded).</p>	As advised by the Group, the Property Interest is now in a planning stage.	

Notes:

- (1) Pursuant to the Conditions of Sale No 20283, the Property Interest was awarded in a tender at a premium of HK\$8,837,126,000 on 29 November 2016.
- (2) According to the record obtained from the land registry, the registered owner of the Property Interest was Hongkong Island Construction Properties Co., Limited, a wholly subsidiary of the Company.
- (3) As at the Valuation Date, the Property Interest was subject to the Building Mortgage in favour of The Bank of East Asia, Limited vide a memorial no 16122002150204 dated 29 November 2016.
- (4) Pursuant to the latest Outline Zoning Plan, the Property Interest lay within an area zoned for “Residential (Group B) 2” use under the Draft Kai Tak Outline Zoning Plan No S/K22/5 exhibited on 17 February 2017.

A planning permission by the Town Planning Board under section 16 of the Town Planning Ordinance (Application No A/K22/16) for the minor relaxation of plot ratio and building height restrictions for the Property Interest and other sites in Kai Tak was granted on 17 April 2015. The planning permission is subject to certain conditions and shall be valid until 17 April 2021.

- (5) Uses and development of the Property Interest were governed by the Conditions of Sale No 20283. While the entire Conditions of Sale shall be noted, the salient conditions for the restrictions on the use and development are summarized below:
- I. Any part thereof or any building(s) erected or to be erected thereon shall not be used for any purpose other than for non-industrial (excluding office, godown, hotel and petrol filling station) purposes.
 - II. The total gross floor area of any building(s) erected or to be erected on the Property Interest shall not be less than 36,489 sq m (392,768 sq ft) and shall not exceed 60,814 sq m (654,602 sq ft) provided that:
 - i. the total gross floor area of any building(s) for non-industrial (excluding residential, office, godown, hotel and petrol filling station) purposes shall not be less than 2,253 sq m (24,251 sq ft); and
 - ii. the total gross floor area of any building(s) for private residential purposes shall not exceed 58,561 sq m (630,351 sq ft).
 - III. The total site coverage of any building(s) erected or to be erected shall not exceed 40% of the area of the lot.
 - IV. The grantee shall at his own expenses on or before 31 December 2021 lay, form, construct and provide an approximately 3.6 m wide passage (“**Public Passage Area**”) along the boundary in the western side of the lot at the ground level and extending upwards from the ground level to a height of no less than 4.2 m. The Public Passage Area shall allow all members of the public for all lawful purposes free and uninterrupted access at all times 24 hours a day without any payment.
- (6) The total estimated construction cost was approximately HK\$3,100,000,000. As advised by the Group, the cost incurred was minimal as at the Valuation Date. The development was expected to complete in the second half of 2021.
- (7) In our opinion, the gross development value of the development to be developed on the Property Interest, assuming it was completed as at the Valuation Date, was approximately HK\$15,550,000,000.
- (8) As advised by the Group, as at the valuation date, the development of the Property Interest was under the planning stage that building plans were still under preparation for the Buildings Department’s approval.

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
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 ⁽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; HNA Holding Group 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 is deemed under the SFO to be interested in the 2,540,222,144 Shares (which include (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) As at the Latest Practicable Date, 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	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	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 (Hong Kong) Limited 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
Lego Corporate Finance Limited	a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO
Knight Frank Petty Limited	professional valuer

As at the Latest Practicable Date, each of the above experts 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, each of the above experts 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.

Each of the above experts 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) Amended and Restated Exempted Limited Partnership Agreement; and
- (b) Subscription Agreement.

NOTICE OF SGM



HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

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 10:00 a.m. on Tuesday, 21 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, and unless otherwise defined herein, the terms herein shall have the same meanings as defined in the circular to the shareholders of the Company dated 4 November 2017:

ORDINARY RESOLUTIONS

1. “THAT

- (a) the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement and the transactions contemplated thereunder 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 Subscription.”

By order of the board of

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

HUANG Qijun

Chairman

Hong Kong, 4 November 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. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.
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 of the Company 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 of the Company are Mr. Tang King Shing and Mr. Tang Kit; and the independent non-executive Directors of the Company are Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Leung Kai Cheung.

Company website: www.hkicimgroup.com