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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 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 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 21 to 47 of this circular.

A notice convening the SGM to be held at 10:00 a.m. on Thursday, 11 January 2018 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.

21 December 2017

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DEFINITIONS

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

“6562 Land Parcel”	the piece or parcel of ground registered in the Land Registry as New Kowloon Inland Lot No. 6562 together with the messuages erections and buildings thereon, which is held by Denco as at the Latest Practicable Date, with a total site area of approximately 8,803 square metres
“6562 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
“6562 Subscription”	the transactions contemplated under the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement
“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 of land parcel known as New Kowloon Inland Lot No. 6565, on Kai Tak Area 1K Site 3, Kai Tak, Kowloon, Hong Kong with a total site area of approximately 11,262 square metres, which is held by HKICIM Fund II, L.P.
“Adjusted NAV”	the consolidated net asset value of the Sky Hero Group of approximately HK\$3,188.14 million upon completion of the Surrender which was adjusted from the consolidated net asset value of the Sky Hero Group of approximately HK\$6,388.14 million based on the management accounts of the Sky Hero Group as at 30 September 2017
“Amended and Restated Exempted Limited Partnership Agreement”	the amended and restated exempted limited partnership agreement dated 30 November 2017 entered into between the Limited Partners and the General Partner in relation to the 6562 Subscription
“Announcement”	the Company’s announcement dated 30 November 2017 in relation to the formation of the Fund and receipt of the 6562 Management Fee and appointment of the Independent Financial Adviser

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“BDL III”	Benefit Developments III 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
“Committed Fund Size”	approximately HK\$3,821 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 allotment and issuance of 83.43% 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
“Denco”	Denco Properties Limited, a company incorporated under the laws of Hong Kong with limited liability and is a wholly-owned subsidiary of Sky Hero
“Director(s)”	the director(s) of the Company
“EAL”	Elite Acme Limited, a company incorporated under the laws of BVI with limited liability and is a wholly-owned subsidiary of HKIIG
“Fund”	HKICIM Fund III, L.P., an exempted limited partnership established in the Cayman Islands
“General Partner”	HKICIM (GP) III, the general partner of the Fund
“Group”	the Company and its subsidiaries

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“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
“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) III”	HKICIM (GP) III 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 PRC and is the holding company of HNA Finance I
“Hong Kong”	the Hong Kong Special Administrative Region of 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 6562 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 6562 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”	18 December 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 III and Hisea International

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Milway”	Milway Development Limited, a company incorporated under the laws of Hong Kong with limited liability and an indirect 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 6562 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)
“Sky Hero”	Sky Hero Developments Limited, a company incorporated under the laws of the BVI with limited liability, and is an indirect subsidiary of HNA Holding Group. Sky Hero holds the entire issued share capital of Denco which in turn is the sole registered and beneficial owner of the 6562 Land Parcel
“Sky Hero Group”	Sky Hero and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 30 November 2017 entered into by BDL III pursuant to which BDL III has agreed to commit a cash contribution of approximately HK\$594.95 million to the Fund

DEFINITIONS

- “Surrender” the surrender which was completed whereby EAL surrendered 50.07% of the issued shares of Sky Hero immediately prior to completion of the Surrender, representing the value of approximately HK\$3,200 million, which was being set-off against the equivalent amount owed by EAL to Sky Hero. Completion of the Amended and Restated Exempted Limited Partnership Agreement is subject to completion of the Surrender
- “Top Genius” Top Genius Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company
- “%” 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. FUNG Chiu Chak, Victor (*Vice Chairman*)
Mr. LIU Junchun (*Vice Chairman*)
Mr. MU Xianyi (*Chief Executive Officer*)
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

21 December 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**

I. INTRODUCTION

Reference is made to the Announcement.

LETTER FROM THE BOARD

On 30 November 2017 (after trading hours), (i) the Amended and Restated Exempted Limited Partnership Agreement was entered into between Hisea International, BDL III (a direct wholly-owned subsidiary of the Company) and HKICIM (GP) III (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 III to the Fund. Pursuant to the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement, both BDL III and HKICIM (GP) III have conditionally agreed to make a capital commitment in an aggregated amount of approximately HK\$633.16 million to the Fund, representing approximately 16.57% of the Committed Fund Size.

The purpose of the Fund is primarily to (i) invest in the 6562 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 6562 Land Parcel, the Fund has no other investment plans and does not expect to have any other investment plans. As at the Latest Practicable Date, save for its investments in the 6562 Land Parcel and the 6565 Land Parcel, the Company has not identified any specific investment opportunity.

Subject to the approval of the Independent Shareholders in connection with the 6562 Subscription, Hisea International will transfer its entire issued shares of Sky Hero 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 Sky Hero.

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 6562 Management Fee from the Fund equal to 1.00% of the aggregate capital commitments of the Fund as compensation for managing the affairs of the Fund. Reference is made to the announcement of the Company dated 13 October 2017 in relation to the formation of HKICIM Fund II, L.P. (the “**Previous 6565 Subscription**”) and receipt of the management fee from HKICIM Fund II, L.P. (the “**6565 Management Fee**”). Since the 6562 Subscription will be aggregated with the Previous 6565 Subscription under the Listing Rules and that the receipt of the 6562 Management Fee is governed pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement, the continuing connected transactions in respect of the receipts of the 6562 Management Fee and the 6565 Management Fee will be aggregated under Rule 14A.83 of the Listing Rules. As the highest applicable percentage ratio in respect of the receipts of the 6562 Management Fee and the 6565 Management Fee in aggregate exceeds 0.1% but less than 5%, the receipts are 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 6562 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 21 to 47 of this circular.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the 6562 Subscription; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the 6562 Subscription; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the 6562 Subscription; (iv) the explanation and confirmation of the Independent Financial Adviser regarding the duration of the Amended and Restated Exempted Limited Partnership Agreement; (v) the property valuation of the 6562 Land Parcel; and (vi) the notice of the SGM and form of proxy for convening the SGM, at which ordinary resolutions will be proposed to consider and, if thought fit, approve, among other things, the 6562 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

30 November 2017 (after trading hours)

Parties

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

Purpose of the Fund

The purpose of the Fund is primarily to (i) invest in the 6562 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. The Fund will not be responsible for the development of the 6562 Land Parcel, and is therefore not responsible for the development costs of the 6562 Land Parcel.

As at the Latest Practicable Date, save for the investment in the 6562 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 21 November 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

LETTER FROM THE BOARD

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 Company expects that the property development of the 6562 Land Parcel will be completed and the properties on the 6562 Land Parcel will be sold within five years, at which point the Fund will distribute proceeds of the investment to the Limited Partners and the General Partners pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement. 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\$3,821 million, and is determined with reference to (i) the Adjusted NAV of the Sky Hero Group of approximately HK\$3,188.14 million; and (ii) the total projected development costs of the 6562 Land Parcel of approximately HK\$3,165.8 million deducted by the maximum banking facilities which the Fund is able to obtain under the then normal market practice and in the absence of unforeseeable circumstances according to the discussion between management of the Group and independent banks, which according to the circular on risk management for lending to property developers issued by the Hong Kong Monetary Authority on 12 May 2017, the loan to value ratios on property mortgage lending should not exceed 80% of the construction cost of the property. 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 III (as Limited Partner)	594.95	15.57
Hisea International (as Limited Partner)	3,188.14	83.43
HKICIM (GP) III (as General Partner)	38.21	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) III 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

LETTER FROM THE BOARD

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 III (as Limited Partner) and HKICIM (GP) III (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 Sky Hero Group of approximately HK\$3,188.14 million.

The capital commitments to be made by BDL III and HKICIM (GP) III to the Fund were determined at arm's length negotiation with reference to the total projected development costs of the 6562 Land Parcel of approximately HK\$3,165.8 million deducted by the maximum banking facilities which the Fund is able to obtain under the then normal market practice and in the absence of unforeseeable circumstances according to the discussion between management of the Group and independent banks, which according to the circular on risk management for lending to property developers issued by the Hong Kong Monetary Authority on 12 May 2017, the loan to value ratios on property mortgage lending should not exceed 80% of the construction cost of the property. The Company intends to finance the capital commitments of BDL III and HKICIM (GP) III by using internal resources of the Group, obtaining funding from external financiers and/or using part of the net proceeds that the Company will receive from the disposal of equity interests in the three property projects as detailed in the Company's circular dated 7 December 2017.

The cash and bank balances of the Company as at 30 November 2017 was approximately HK\$2,169.6 million, of which (i) approximately HK\$41.4 million was bank balances pledged for certain banking facilities of the Group; and (ii) approximately HK\$2,128.2 million was pure liquid cash, of which approximately HK\$407.5 million was time deposits with maturity period of no more than 92 days and approximately HK\$1,720.7 million was cash at hand. The Group has paid its commitment of HK\$728 million for the Previous 6565 Subscription in November 2017 using its internal resources. 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 at the Latest Practicable Date, the Company believes that it does not have any fund raising needs for the 6562 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 obtain funding from external financiers.

The Company plans to renew its existing bank loans which will mature in February 2018, March 2018 and June 2018, before the respective maturity dates. Out of the secured bank loans of approximately HK\$5,805,434,000, HK\$2,600,100,000 will mature in February 2018, HK\$229,000,000 will mature in March 2018 and approximately HK\$2,976,334,000 will mature in June 2018. If the Group is unable to renew such bank loans, the Group will consider other sources of financing (including refinancing loans from other financial institutions) to repay such loans. Nevertheless, as at the Latest Practicable Date, the Company has not received any indication or notification from the institutions providing finance to the Group of cessation of cooperation with the Group, and the Directors are confident that, in the absence of unforeseeable circumstances, the Group will be able to renew such bank loans before their respective maturity dates.

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\$2.76 billion and HK\$2.23 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 years of 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	383 million
6564 Land Parcel	25 million	362 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 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 6562 Management Fee).

Investment Proceeds from investment in respect of the 6562 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.

LETTER FROM THE BOARD

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 and Restated Exempted Limited Partnership Agreement, including the rights of the Limited Partners holding at least 75% 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).

6562 Management Fee

From the Initial Closing Date, the Fund will pay the General Partner an annual 6562 Management Fee equal to 1.00% 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 6562 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\$38.22 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. As at the Latest Practicable Date, given that (i) Mr. Mu will only be responsible for monitoring the investments in the Fund and HKICIM Fund II, L.P., and will not be responsible for the development of the 6562 Land

LETTER FROM THE BOARD

Parcel and the 6565 Land Parcel; (ii) other work arising from operation of the Fund and HKICIM Fund II, L.P. is handled by a separate team of professional staff of the Company; and (iii) Mr. Mu has extensive work experience in the investment field, the Company is satisfied that Mr. Mu will have sufficient time to monitor investment in the Fund and in HKICIM Fund II, L.P.. When necessary, the Company will recruit additional professional staff to support the operation and management of the Fund and HKICIM Fund II, L.P..

IV. THE SUBSCRIPTION AGREEMENT

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

Date

30 November 2017 (after trading hours)

Subscriber

BDL III

Pursuant to the Subscription Agreement, BDL III 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\$594.95 million to the Fund, representing approximately 15.57% 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 III as a Limited Partner and any obligations of BDL III 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 the General Partner and BDL III as they mutually agree to (although as of the Latest Practicable Date, neither of the General Partner or BDL III intends to waive any of these conditions):

- (a) execution and delivery of the relevant subscription agreement and the Amended and Restated Exempted Limited Partnership Agreement by BDL III 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.

LETTER FROM THE BOARD

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. The Group has been a long-established player in the foundation piling industry in Hong Kong and has participated in the property development in PRC with projects located in Shanghai, Tianjin and Shenyang (the "PRC Development Projects"). Pursuant to the circular of the Company dated 7 December 2017, the Group will dispose of its interests in the PRC Development Projects, subject to, among other things, the independent shareholders' approval and other conditions precedent. 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 PRC.

BDL III 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) III is a company incorporated under the laws of the Cayman Islands with limited liability, and is the General Partner of the Fund which primarily engages in managing the operation 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.

Subject to completion of the Fund's investment in Sky Hero, the Fund will become the sole shareholder of Sky Hero which holds the 6562 Land Parcel immediately following completion of its investment in Sky Hero. 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 6562 Land Parcel and the potential tenderer for the provision of the foundation services for the 6562 Land Parcel will not have any conflict of interest. Upon completion of the 6562 Subscription, the equity interest in the Fund will be owned as to approximately 15.57%, 83.43% and 1.00%, by BDL III (as Limited Partner), Hisea International (as Limited Partner) and HKICIM (GP) III (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 6562 SUBSCRIPTION

The purpose of the Fund is primarily to (i) invest in the 6562 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 6562 Land Parcel, the Fund has no other investment plans and does not expect to have any other investment plans.

LETTER FROM THE BOARD

The Board believes that the 6562 Subscription will improve the profit of the Group and also its capital utilization. As the General Partner, the Group will receive an annual 6562 Management Fee equal to 1.00% 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 6562 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 6562 Subscription will enable the Group to share the income and capital appreciation to be generated from the development of the 6562 Land Parcel.

The Company came across the opportunity of the 6562 Subscription since both Hisea International and the Company are subsidiaries of the HNA Holding Group, and the Group owns the 6563 Land Parcel and the 6564 Land Parcel, and has interest in the 6565 Land Parcel, which are adjacent to the 6562 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 four land parcels. With HKICIM (GP) III 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. 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.

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 6562 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 6562 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 6562 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 6562 Land Parcel; (iv) after taking into account the market value of the 6562 Land Parcel of approximately HK\$5,833 million, as appraised by Knight Frank Petty Limited as at 17 November 2017, as compared to the corresponding book value of the 6562 Land Parcel of approximately HK\$5,484 million as at 30 September 2017 based on the management accounts of the Sky Hero Group, the Adjusted NAV of Sky Hero Group will increase to approximately HK\$3,537 million, which represents a premium to the capital commitment of Hisea

LETTER FROM THE BOARD

International and is thus favourable to the Group; (v) the benefits of the 6562 Subscription as stated above; and (vi) the view of the Independent Financial Adviser, the Directors are of the view that the transactions contemplated under the 6562 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 6562 Subscription and receipt of the 6562 Management Fee, constitute a connected transaction and a continuing connected transaction of the Company respectively, under Chapter 14A of the Listing Rules.

Given that (i) the 6562 Subscription was entered into within 12 months after completion of the Previous 6565 Subscription; and (ii) both the Previous 6565 Subscription and the 6562 Subscription were entered into between a member of the Group and the same connected person and/or his associates, the 6562 Subscription and the Previous 6565 Subscription are required to be aggregated pursuant to Rules 14.22 and Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the 6562 Subscription and the Previous 6565 Subscription in aggregate is more than 5% but less than 25%, the 6562 Subscription and the Previous 6565 Subscription in aggregate constitute (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.

Since the 6562 Subscription will be aggregated with the Previous 6565 Subscription under the Listing Rules and that the receipt of the 6562 Management Fee is governed pursuant to the terms of the the Amended and Restated Exempted Limited Partnership Agreement, the continuing connected transactions in respect of the receipts of the 6562 Management Fee and the 6565 Management Fee will be aggregated under Rule 14A.83 of the Listing Rules. As the highest applicable percentage ratio in respect of the receipts of the 6562 Management Fee and the 6565 Management Fee in aggregate exceeds 0.1% but less than 5%, the receipts are 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 6562 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 6562 Management Fee and its Listing Rules implications, please refer to the Announcement.

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

LETTER FROM THE BOARD

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 21 to 47 of this circular.

VIII. APPROVAL BY DIRECTORS AND INDEPENDENT SHAREHOLDERS

In order to maintain a good corporate governance practice of the Company, 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 6562 Subscription to avoid a perception of a conflict of interest. At the Board meeting to consider and approve the 6562 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 6562 Subscription, and no other Directors are required to abstain from voting on the Board resolutions for considering and approving the 6562 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 6562 Subscription.

Pursuant to the Listing Rules, any Shareholder with a material interest in the 6562 Subscription and its associates are required to abstain from voting in respect of the 6562 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 6562 Subscription, HNA Finance I and its associates shall abstain from voting in respect of the resolutions relating to the 6562 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 6562 Subscription at the SGM.

IX. SGM

A letter from the Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 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 21 to 47 of this circular.

A notice convening the SGM to be held at 10:00 a.m. on Thursday, 11 January 2018 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

LETTER FROM THE BOARD

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 6562 Subscription), whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser, consider that the 6562 Subscription, albeit not in its ordinary and usual course of business, is fair and reasonable, on normal commercial terms 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 6562 Subscription) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the 6562 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 6562 Subscription.



HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

21 December 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 21 December 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 6562 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 18 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 21 to 47 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 6562 Subscription, albeit not in its ordinary and usual course of business, 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 6562 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 6562 Subscription.



21 December 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 6562 Subscription, 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 21 December 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 30 November 2017 (after trading hours), (i) the Amended and Restated Exempted Limited Partnership Agreement was entered into between Hisea International, BDL III (a direct wholly-owned subsidiary of the Company) and HKICIM (GP) III (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 III to the Fund. Pursuant to the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement, both BDL III and HKICIM (GP) III have conditionally agreed to make a capital commitment in an aggregate amount of approximately HK\$633.16 million to the Fund, representing approximately 16.57% of the Committed Fund Size.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject to the approval of the Independent Shareholders in connection with the 6562 Subscription, Hisea International will transfer its entire issued shares of Sky Hero 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 Sky Hero.

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 6562 Subscription and the receipt of the 6562 Management Fee constitute a connected transaction and a continuing connected transaction, respectively, under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 13 October 2017 in relation to the formation of the HKICIM Fund II, L.P., and receipt of the 6565 Management Fee (the “**Previous 6565 Subscription**”). Given that (i) the 6562 Subscription was entered into within 12 months after completion of the Previous 6565 Subscription; and (ii) both the Previous 6565 Subscription and the 6562 Subscription were entered into between a member of the Group and the same connected person and/or his associates, the 6562 Subscription and the Previous 6565 Subscription are required to be aggregated pursuant to Rules 14.22 and Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the 6562 Subscription and the Previous 6565 Subscription in aggregate under the Listing Rules is more than 5% but less than 25%, the 6562 Subscription constitutes (i) a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is 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 is 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 6562 Subscription are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and whether the 6562 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(s) to be proposed at the SGM to approve the 6562 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.

Since 6562 Subscription will be aggregated with the Previous 6565 Subscription under the Listing Rules and that the receipt of the 6562 Management Fee is governed pursuant to the terms of the the Amended and Restated Exempted Limited Partnership Agreement, the continuing connected transactions in respect of the receipts of the 6562 Management Fee and the 6565 Management Fee will be aggregated under Rule 14A.83 of the Listing Rules. As the highest applicable percentage ratio in respect of the receipts of the 6562 Management Fee and the 6565 Management Fee in aggregate exceeds 0.1% but less than 5%, the receipts are subject to the reporting, announcement and annual

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

review requirements under Chapter 14A of the Listing Rules only but exempt from the Independent Shareholders approval requirement. The receipt of the 6562 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. 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 6562 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, save for being the independent financial adviser of the Company for the discloseable and connected transaction in relation to the formation of the fund, details of which are set out in the circular of the Company dated 4 November 2017 and the independent financial adviser of the Company for the major and connected transaction in relation to disposal of equity interests in three project companies, details of which are set out in the circular of the Company dated 7 December 2017 (collectively, the “**Previous Engagements**”), 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 two years, save for the Previous Engagements, 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 and the Previous Engagements, no arrangements exist 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 6562 Subscription (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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, Hisea International, or any of their subsidiaries and associates as well as the companies and assets to be acquired or invested pursuant to the 6562 Subscription.

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 6562 Subscription

1.1 *Information on the Group*

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. 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.

Recent development on the property development business of the Group

The Group has engaged in the property development in the PRC with residential projects located in Shanghai, Tianjin and Shenyang. As disclosed in the announcement of the Company dated 13 November 2017, the Group proposed to dispose the entire equity interest in Tysan Land (Shanghai) Limited* (泰昇房地產(上海)有限公司), Tysan Land (Shenyang) Limited* (泰昇房地產(瀋陽)有限公司) and Tysan Property Development (Tianjin) Co. Ltd.* (泰昇房地產開發(天津)有限公司), all being wholly-owned subsidiaries of the Company principally engaged in the property development business in the PRC to Hainan HNA Infrastructure Investment Group Co., Ltd.* (海南海航基礎設施投資集團股份有限公司) and Hainan HNA Shou Fu Investment Co., Ltd.* (海南海航首府投資有限公司), being subsidiaries of HNA Holding Group at an aggregate consideration of RMB1,783.6 million (the “Disposals”). As disclosed in the circular of the Company dated 7 December 2017, the Disposals provide a good opportunity for the Company to efficiently realise the return from the three property development projects in the PRC and generate proceeds to support the Group's ongoing growth and development and will improve the Company's liquidity.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group has pursued a strategy to expand its property development business in Hong Kong by leveraging its experience in property development business in the PRC. In particular, the Group has successfully bid for the 6563 Land Parcel and the 6564 Land Parcel 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 6562 Land Parcel and the 6565 Land Parcel, for an aggregate consideration of approximately HK\$14.2 billion.

As disclosed in the 2017 Interim Report (as defined below), 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.

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 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 in respect of the 6562 Land Parcel will remain valid after completion of the 6562 Subscription and the transfer of entire issued share capital of Sky Hero to the Fund.

On 13 October 2017, the Group, through its subsidiaries, entered into the amended and restated exempted limited partnership agreement and the subscription agreement with Hisea International in relation to the formation of a fund (the “**6565 Fund**”) with Hisea International with a capital commitment of approximately HK\$728 million for the purpose of the development of the 6565 Land Parcel. The Group is a general partner and a limited partner of the 6565 Fund with an aggregate 12.07% interest in the 6565 Fund. As a general partner, the Group is entitled to an annual management fee equal to 1% of the aggregate capital commitments of the 6565 Fund and additional distributions if the 6565 Fund has excess proceeds for distribution. As the limited partner, the Group will also be benefited by sharing the income and capital appreciation to be generated from the development of the 6565 Land Parcel.

Based on the current development timetable as advised by the Management, the four land parcels will be developed concurrently under similar timetable. The approval of the general building plan of the 6562 Land Parcel was obtained on 23 October 2017 and the general building plans of the other three land parcels have been submitted to the Building Department of Hong Kong Government for approval. The foundation works have commenced in November 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 as extracted from its annual report for the nine months ended 31 December 2016 (the “**2016 Annual Report**”) and also the six months ended 30 September 2016 and 30 June 2017 as extracted from its interim report for the six months ended 30 June 2017 (the “**2017 Interim Report**”):

	For the six months ended 30 June 2017	For the six months ended 30 September 2016	For the nine months ended 31 December 2016 (note)	For the year ended 31 March 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
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

	Foundation piling	Property development	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>For the six months ended 30 June 2017</i>				
<i>(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</i>				
<i>(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</i>				
<i>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: As set out in the Company’s announcement dated 20 September 2016, the financial year end date of the Company (and hence its subsidiaries) has been changed from 31 March to 31 December.

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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 Management, 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.

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<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 the 6563 Land Parcel and the 6564 Land Parcel at an aggregate consideration of 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

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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.

1.2 *Information on the 6562 Land Parcel*

As disclosed in the valuation report of the 6562 Land Parcel (the "**Valuation Report**") prepared by Knight Frank Petty Limited (the "**Valuer**") as set out in Appendix I to the Circular, the 6562 Land Parcel is situated at Kai Tak Area 1L 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 6562 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.

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 one high-rise blocks of about 31 storeys and two low-density apartment blocks of about 5 storeys and four blocks of individual houses are proposed with carparking facilities. The total gross floor area of the proposed development is approximately 397,967 sq. ft. As advised by the Management, the development costs for the development of the 6562 Land Parcel is intended to be financed by the HK\$633.16 million capital contribution by the Group and debt financing by the Fund.

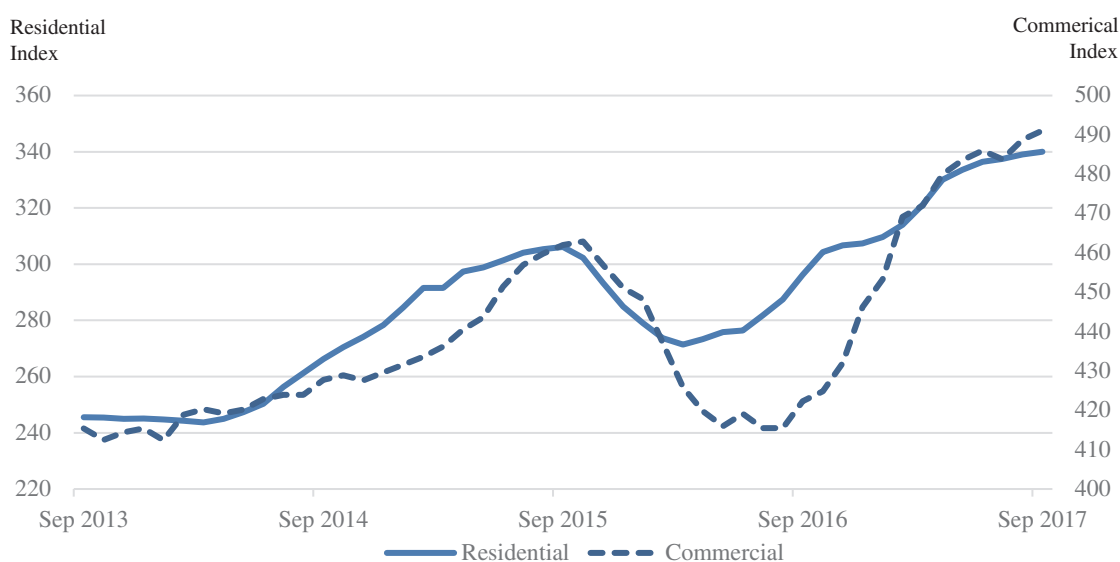
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1.3 Outlook of the residential property development market in Hong Kong

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 indices in the chart below, the price index for residential property raised from 245.5 in September 2013 to 340.0 in September 2017, representing a CAGR of approximately 8.5%; while that for commercial property raised from 415.4 in September 2013 to 491.1 in September 2017, representing a CAGR of approximately 4.3%.

Price Indices for Hong Kong Property Market

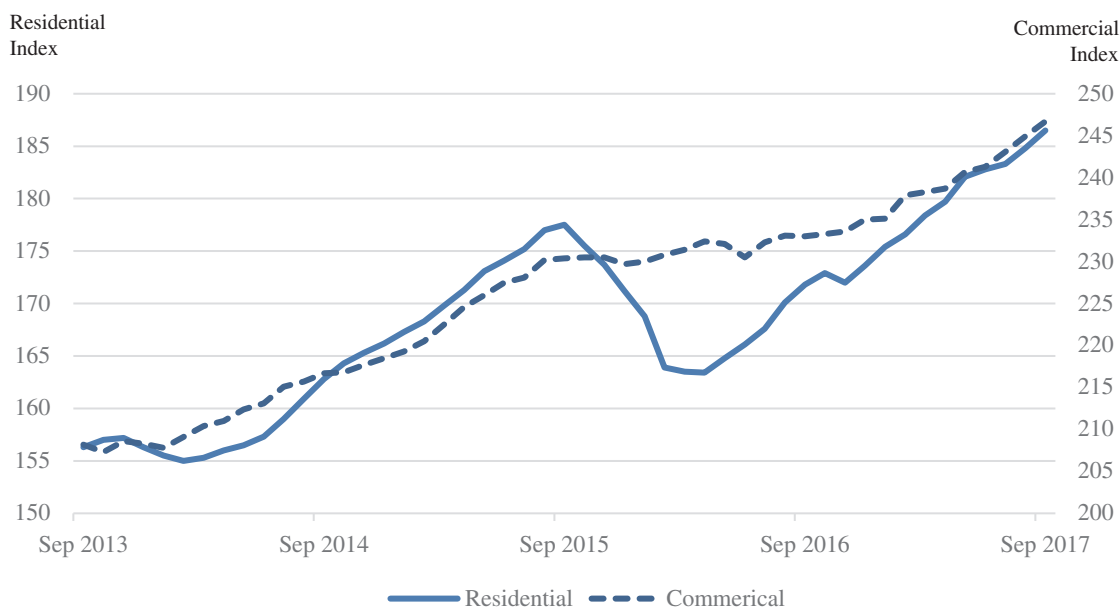


Source: Rating and Valuation Department, Hong Kong Government

It is further noted from the rental indices in the chart below, the rental index for residential property raised from 156.3 in September 2013 to 186.5 in September 2017, representing a CAGR of approximately 4.5%; while that for commercial property raised from 208.2 in September 2013 to 246.7 in September 2017, representing a CAGR of approximately 4.3%.

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Rental Indices for Hong Kong Property Market



Source: Rating and Valuation Department, Hong Kong Government

In addition, according to the Valuer, Kowloon East, where the 6562 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 prospects of the Hong Kong property market and, in particular, the positive outlook of the East Kowloon.

1.4 *Reasons for and benefit of the 6562 Subscription*

We have discussed with the Management in respect of the reasons for and benefits of the 6562 Subscription and have reviewed the relevant development plan provided by the Management. As disclosed in the Letter from the Board, the 6562 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 6562 Subscription as considered by the Management:

- (i) *The 6562 Subscription will allow the Group to invest in the 6562 Land Parcel and enjoy the economic benefits to be generated from the development of the 6562 Land Parcel*

Upon completion of the 6562 Subscription, the Group will hold about 16.6% interests in the Fund, which will indirectly hold the entire interests in the 6562 Land Parcel. Pursuant to the terms of the Amended and Restated Exempted Limited Partnership Agreement, at the discretion of HKICIM (GP) III as the General Partner, the BDL III, as Limited Partner to the Fund, is

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expected to receive basic distributions of 6% per annum compounded internal rate of return (the “**IRR**”) and 80% of any excess distributions exceeds 6% IRR (the “**Excess Distributions**”) based on its aggregate capital contributions. The Group would be able to capture the upside potential and economic benefits from the development of the 6562 Land Parcel and the overall market potential of the property market in Kai Tak district and would in turn enhance the profitability and shareholders’ value of the Group.

(ii) *The 6562 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 the Group’s 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 additional 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 in around 2022, 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 believed that the 6562 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 price indices generally remain an upward trend in recent years and the interest rate environment remains relatively low and, in particular, as the development projects move closer to completion, the infrastructure, community, living and transportation environment within the Kai Tak district will gradually develop concurrently leading to greater vibrancy including commercial, residential, tourism and sports elements, which are positive factors to the prospects of the property market in East Kowloon area.

(iv) *The synergy effect in developing the 6562 Land Parcel together with the 6563 Land Parcel and 6564 Land Parcel owned by the Group and the 6565 Land Parcel owned by the 6565 Fund*

The General Partner is responsible for the day-to-day operation and management of the Fund. HKICIM (GP) III, 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 6562 Land Parcel. The close proximity of the 6562 Land Parcel with the other three land parcels owned by the Group or the 6565 Fund in Kai Tak district, namely the 6563 Land Parcel, 6564 Land Parcel and 6565 Land Parcel will allow the Group to manage the development of the

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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 four 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 the Kai Tak district along with the “Energerising Kowloon East” campaign; and (ii) the gross development value of the properties to be developed on the 6562 Land Parcel, assuming it was completed as at 17 November 2017, of approximately HK\$10,050 million, the Directors are confident on the prospects of the development of the 6562 Land Parcel and the investment return on the Fund. Therefore, the Directors are of the view, and we concur that the 6562 Subscription is likely to contribute additional income to the Group, create synergy effect to achieve cost saving, improve its profitability, enhance the return to the Shareholders in the future and is fair and reasonable and in the interests 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 four land parcels in the Kai Tak district by the Group and HNA Holding Group; (ii) the 6562 Land Parcel which is in close proximity with the land parcels held by the Group and the 6565 Fund and the expected synergy effects in developing these land parcels concurrently; (iii) the positive market potential and industry outlook of residential property market in Hong Kong, in particular the Kai Tak district, we concur with the Directors’ view that the 6562 Subscription and the transactions contemplated thereunder, though not in the Company’s current ordinary and usual business of the Group, would allow the Group to enjoy economic benefits to be generated from the development of the 6562 Land Parcel and generate additional income and profit and in line with the business plan of the Group to expand its property development business in Hong Kong, thus are in the interests 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 6562 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 21 November 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

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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.

2.3 *Committed Fund Size*

The Committed Fund Size shall be approximately HK\$3,821 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 III (as Limited Partner)	594.95	15.57
Hisea International (as Limited Partner)	3,188.14	83.43
HKICIM (GP) III (as General Partner)	38.21	1.00
Total	3,821.30	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 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.

As advised by the Management, we understand that, subject to obtaining of the Independent Shareholders’ approval of the 6562 Subscription, the Group will satisfy the commitments in cash to the Fund, whereas Hisea International will satisfy its commitments by transferring the entire issued shares of Sky Hero 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.

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The capital commitment to be made by Hisea International was determined at arm's length negotiation with reference to the Adjusted NAV of the Sky Hero Group of approximately HK\$3,188.14 million, which primarily comprising of the book value for the 6562 Land Parcel of approximately HK\$5,484 million and other receivables of approximately HK\$1,139 million net of bank borrowing of approximately HK\$3,202 million and other payables of approximately HK\$235 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 6562 Land Parcel of approximately HK\$3,165.8 million deducted by the maximum banking facilities which the Fund is able to obtain under the then normal market practice and in the absence of unforeseeable circumstances according to the Management's discussion with independent banks, which according to the circular on risk management for lending to property developers issued by the Hong Kong Monetary Authority (the "HKMA") on 12 May 2017 (the "HKMA Circular"), the loan to value ratios on property mortgage lending should not exceed 80% of the construction cost of the property.

We have reviewed the development plan of the 6562 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 HKMA Circular 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 of the property with an overall cap lower than 50% of the expected value of the completed properties. Having considered the basis of the capital commitment of each of the Group and Hisea International stated above and the respective 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.

Capital 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 the total projected development costs of the 6562 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 and independent banks.

We have discussed the above with the Management and we understand that the Company has also assessed, among others, (i) the cash position and working capital condition of the Group; and (ii) the development plan and financing plan of the 6562 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\$633.16 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\$2.2 billion as at 30 June 2017 and 30 November 2017; (ii) the Group has made payment of HK\$728 million to the 6565 Fund in November 2017 and subject to the approval by the then independent Shareholders, the Group is expected to receive cash consideration of RMB891.8 million (equivalent to approximately HK\$1,052.3 million) upon completion of the Disposals and RMB891.8 million (equivalent to approximately HK\$1,052.3 million) six months thereafter; (iii) as

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advised by the Management, the Company has not received any indication or notification from the institutions providing finance to the Group of ceasing cooperation with the Group and the Directors are confident that, in the absence of unforeseeable circumstances, the Group will be able to renew the existing banking facilities in relation to the 6563 Land Parcel and 6564 Land Parcel before their respective maturity dates; (iv) as advised by the Management, save for the above, the Company is not aware of any material adverse change in its cash position and working capital condition subsequent to 30 June 2017; and (v) 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 after taking into account the expected refinancing of the aforesaid existing banking facilities upon their maturities, 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 confirmed by the Directors, the capital commitment of the Group of HK\$633.16 million will be applied as part of the development costs of the 6562 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 approximately 16.57% equity interest of the Fund upon completion of the 6562 Subscription; (ii) the General Partner is a wholly-owned subsidiary of 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 of 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 Sky Hero to the Fund.

As advised by the Management, Sky Hero is a company incorporated in the BVI with limited liability, and was held as to approximately 50.07% and 49.93% by EAL and Hisea International, respectively, as at the date of the Amended and Restated Exempted Limited Partnership Agreement and the Subscription Agreement. Sky Hero holds the entire issued share capital of Denco which in turn is the sole registered and beneficial owner of the 6562 Land Parcel. As advised by the Management, save for the holding of the 6562 Land Parcel, the Sky Hero Group did not have any material operation and revenue and only incurred negligible administrative expenses since its incorporation.

As advised by the Management, EAL completed the Surrender whereby it surrendered 50.07% of the issued shares of Sky Hero immediately prior to completion of the Surrender, representing the value of approximately HK\$3,200 million, which was being set-off against the equivalent amount owed by EAL to Sky Hero. As of the Lastest Practicable Date, the Surrender has been completed and Hisea International holds the entire issued share capital of Sky Hero.

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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\$3,188.14 million was arrived at after arm's length negotiations between the General Partner and Hisea International with reference to the Adjusted NAV of the Sky Hero Group.

As disclosed in the Letter from the Board, as at 30 September 2017, based on the management accounts of the Sky Hero Group, the consolidated net asset value of the Sky Hero Group was amounted to approximately HK\$6,388.14 million. Upon completion of the Surrender, the consolidated net asset value of the Sky Hero Group was adjusted to approximately HK\$3,188.14 million (the "**Adjusted NAV**"), primarily comprising of the book value of the 6562 Land Parcel of approximately HK\$5,484 million and other receivables of approximately HK\$1,139 million net of bank borrowing of approximately HK\$3,202 million and other payables of approximately HK\$235 million.

Given that the principal assets of the Sky Hero Group is the 6562 Land Parcel, in order to assess the fairness and reasonableness of the commitment by Hisea International by way of the transfer of the entire issued share capital of Sky Hero, our analysis focuses on the market value of the 6562 Land Parcel based on its valuation as at 17 November 2017 prepared by the Valuer (the "**Valuation**") and the Adjusted NAV after taking into account the difference between the Valuation and the book value of the 6562 Land Parcel based on the management accounts as at 30 September 2017 of the Sky Hero Group.

Valuation

We have reviewed the valuation report (the "**Valuation Report**") in respect of the Valuation of the 6562 Land Parcel which is contained in Appendix I to the Circular. The 6562 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 6562 Land Parcel was approximately HK\$5,833 million as at 17 November 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 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 6562 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

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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 the 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 6562 Land Parcel in 17 November 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 6562 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 and income method) in valuing the 6562 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 6562 Land Parcel.

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After considering the reasons for the Valuer's choice of adopting the valuation methodology for valuing the 6562 Land Parcel, we are of the opinion that, the valuation methodologies used are reasonable and acceptable in establishing the market value of the 6562 Land Parcel as at 17 November 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 6562 Land Parcel. The collected comparables were then adjusted to reflect the difference between the comparables and the 6562 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 Sky Hero 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 6562 Land Parcel are reasonable and relevant for the purpose of establishing the appraised value of the 6562 Land Parcel. Moreover, the Valuer also advised that, in valuing the 6562 Land Parcel, 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 6562 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 Sky Hero Group and the commitments of Hisea International to the Fund:

	<i>HK\$' million</i>
Adjusted NAV of the Sky Hero Group as at 30 September 2017 after taking into account the effect on Surrender	3,188
Add: appreciation of the Valuation of the 6562 Land Parcel as compared to its book value (<i>Note</i>)	<u>349</u>
Reassessed Adjusted NAV	3,537
Commitment of Hisea International	3,188.14
Premium of reassessed Adjusted NAV over commitment	10.9%

Note: Being the difference between the Valuation of HK\$5,833 million as at 17 November 2017 as stated in the Valuation Report and the corresponding book value of the 6562 Land Parcel of approximately HK\$5,484 million as at 30 September 2017 based on the management accounts of the Sky Hero Group.

As illustrated above, the reassessed Adjusted NAV of HK\$3,537 million is at a premium of approximately 10.9% over the commitment of Hisea International of approximately HK\$3,188.14 million. In view of (i) the reassessed Adjusted NAV is at a premium over the commitment of Hisea International, which we consider to be a commonly adopted approach in assessing the fairness of the consideration for property investment and development companies; and (ii) the valuation methodologies and the bases and assumptions adopted by the Valuer in establishing the fair value of the 6562 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 in this regard.

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. 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. HKICIM (GP) III, a wholly-owned subsidiary of the Company, is appointed as the General Partner.

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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 and Restated Exempted Limited Partnership Agreement, including the rights of the Limited Partners holding at least 75% 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).

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 6562 Management Fee is determined after arm's length negotiation among the parties 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. Notwithstanding 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 6562 Management Fees).

Investment Proceeds from investment in respect of the 6562 Land Parcel shall be apportioned preliminarily 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 respective 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.

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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 6562 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 two announcements (including the announcement of the Company dated 13 October 2017 regarding the 6565 Fund) in relation to fund formation by companies listed on the Stock Exchange in relation to investment in land or property development from 27 May 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 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 19 announcements of fund formation by companies listed on the Stock Exchange (the “**Comparable(s)**”), which we consider to be exhaustive and complete, from 27 May 2017 up to the date of the Amended and Restated Exempted Limited Partnership Agreement. Given that the structure of the Fund with only one General Partner and two Limited Partners is relatively 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
19 November 2017	TUS International Limited (872)	Advancing the commercialisation potential of the University of Michigan research discoveries	8	Undisclosed	3	No
17 November 2017	China Molybdenum Co., Ltd. (3993)	Investments and mergers & acquisitions in the natural resources fields and the upstream and downstream of the industry chains	7,750	1%	5	No
8 November 2017	China Resources Pharmaceutical Group Limited (3320)	Equity investments in the PRC pharmaceutical enterprises	2,937	1.5%	5	No
7 November 2017	China LNG Group Limited (931)	Investment in liquefied natural gas related businesses/ projects	5,912	Undisclosed	Undisclosed	Undisclosed
6 November 2017	Shanghai Haohai Biological Technology Co., Ltd.* (6826)	Investments within the parameters as prescribed in the agreement	1,062	1.5%	3	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 November 2017	China Electronics Optics Valley Union Holding Company Limited (798)	Investment in the quality technology enterprises within the business park to be developed	588	Undisclosed	Undisclosed	Undisclosed
13 October 2017	Hong Kong International Construction Investment Management Group Co., Limited (687)	Investment in the land parcel owned by the fund and manage, supervise and dispose of such investment	6,030	1%	5	No
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	No
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
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 water 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	VI 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
			Highest	2%	30	
			Lowest	0%	3	
30 November 2017	Fund	Development of 6562 Land Parcel	3,821.3	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.

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 6562 Land Parcel. As discussed in the subsection headed 1.1 above, the properties to be developed on the 6562 Land Parcel are 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 6562 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.

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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 6562 Management Fee to be of such duration.

View on the fairness and reasonableness of the 6562 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 that (i) the 6562 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 6562 Management Fee and the no guaranteed return clause of the Fund are 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.

3. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, BDL III 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\$594.95 million to the Fund, representing approximately 15.57% 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 6562 Subscription

Upon completion of the 6562 Subscription, the capital contribution and equity interest in the Fund will be owned as to approximately 15.57% by BDL III (as Limited Partner), 83.43% by Hisea International (as Limited Partner) and 1.0% by HKICIM (GP) III (as General Partner). Accordingly, the financial results of the Fund will not be consolidated into the financial statements of the Group.

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4.1 *Earnings*

As advised by the Management, immediately upon the Completion, save for the transaction cost to the 6562 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 6562 Management Fee of 1% to the Committed Fund Size per annum (equivalent to approximately HK\$38.2 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 6562 Management Fee.

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\$633.16 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 at 30 June 2017. 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 addition, we have discussed with the Management, and were advised that the cash and bank balance of approximately HK\$2.2 billion as at 30 November 2017 after the settlement of the capital commitment made by the Group for the fund in relation to the 6565 Land Parcel on 23 November 2017, which is sufficient to fund certain 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 6562 Subscription.

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\$2.2 billion respectively. The Group intends to fund certain portion of the expected development cost of the 6563 Land Parcel and the 6564 Land Parcel by internal resources, and obtain, under current normal market practice and in the absence of unforeseeable circumstances, external funding for the remaining portion which according to HKMA

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Circular the loan to value ratios on property mortgage lending should not exceed 80% of the construction cost of the property, 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	For the year ending 31 December 2018
	<i>(HK\$)</i>	<i>(HK\$)</i>
6563 Land Parcel	29 million	383 million
6564 Land Parcel	25 million	362 million

The Management further advised that as at 30 November 2017, the Group had (i) cash and bank balances of approximately HK\$2,169.6 million, of which approximately HK\$41.4 million was pledged for banking facility; (ii) total contracted capital commitments for construction works relating to the Group's property development projects of approximately HK\$69.2 million; and (iii) total bank borrowings of approximately HK\$5,923.4 million and guaranteed notes due 2020 of approximately HK\$211.9 million. As advised by the Management, the Group plans to renew three secured bank borrowings amounting to approximately HK\$5,417.3 million on or before the respective maturity date in February, March and June 2018.

Having considered the above, and (i) the cash and bank balances of the Company of approximately HK\$2.2 billion as at 30 November 2017; (ii) according to the HKMA Circular which stated 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 of the property with an overall cap lower than 50% of the expected value of the completed properties; and (iii) as advised by the Management, the Company has not received any indication or notification from the institutions providing finance to the Group of ceasing cooperation with the Group and the Directors are confident that, in the absence of unforeseeable circumstances, the Group will be able to renew the existing banking facilities in relation to the 6563 Land Parcel and 6564 Land Parcel before their respective maturity dates, 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\$633.16 million, the cash and bank balances of the Group will decrease upon Completion. According to the 2017 Interim Report, the Group has cash and bank balances of approximately HK\$2.8 billion as at 30 June 2017, thus, we concur with the view of the Management that the 6562 Subscription will not have material adverse impact to the cash flow of the Group.

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In view of the foregoing, in particular, the relevant accounting treatment of the Company on the 6562 Subscription and the potential income from the 6562 Management Fee and distributions from the Fund, we concur with the view of the Management that the 6562 Subscription will not have material adverse impact to the Group.

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 6562 Subscription and the transactions contemplated thereunder, though not in its current 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 6562 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 6562 Land Parcel as at 17 November 2017.



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

21 December 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 6562, Kai Tak Area 1L 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 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 17 November 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 the Royal Institution of Chartered Surveyors (“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 outgoing.

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 Ms Natalie Wong MRICS MHKIS RICS Registered Valuer, Director of Valuation & Consultancy on 17 November 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.

Land Premium

We have assumed that the land premium of the Property Interest was completely settled as at the Valuation Date.

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

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

Natalie Wong
MRICS MHKIS RICS Registered Valuer
Director, Valuation & Consultancy

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 17 November 2017
1. Kai Tak Area 1L Site 3 Kai Tak Kowloon	The Property Interest comprises a parcel of land with a site area of 8,803 sq m (94,755 sq ft) or thereabouts.	Upon our inspection, the Property Interest was a vacant	HK\$5,833,000,000 Hong Kong Dollars Five Billion Eight Hundred and Thirty Three Million
New Kowloon Inland Lot No 6562 ("NKIL 6562")	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. The Property Interest is planned to be developed into a high-end residential development with carparking facilities. The total Gross Floor Area is 36,972 sq m (397,967 sq ft) or thereabout. NKIL 6562 is held under the Conditions of Sale No 20290 for a term of 50 years from 16 January 2017 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).	development site and planned for development.	

Notes :

- (1) Pursuant to the Conditions of Sale No 20290, the Property Interest was awarded in a tender at a premium of HK\$5,412,346,000 on 19 December 2016.

- (2) According to the record obtained from the land registry, the registered owner of the Property Interest was Denco Properties Limited, a wholly-owned subsidiary of Sky Hero Developments Limited, which is an indirect subsidiary of HNA Holding Group.
- (3) As at the Valuation Date, the Property Interest was subject to the Building Mortgage in favour of Industrial Bank Co. Ltd, Hong Kong Branch vide a memorial no 17021002710243 dated 16 January 2017.
- (4) Pursuant to the latest Outline Zoning Plan, the Property Interest lay within an area zoned for “Residential (Group B) 3” 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 20290. 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 private residential 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 22,184 sq m (238,789 sq ft) and shall not exceed 36,972 sq m (397,967 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.

- (6) As per the latest cost estimation prepared provided by the Group as prepared by a quality surveying firm, the total estimated construction cost was approximately HK\$2,352,810,000. As advised by the Group, the cost incurred was minimal as at the Valuation Date. The development was expected to complete in 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\$10,050,000,000.
- (8) As advised by the Group, as at the Valuation Date, the approval of the General Building Plans of the Property Interest was obtained on 23 October 2017.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**(a) Interests and short positions of the Directors and chief executive in the Company and its associated corporations**

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

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, so far as is known to the Directors, the persons (other than a Director and chief executive of the Company) or entities who had or were deemed or taken to have an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Interests in Shares and underlying Shares

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

Name	Capacity	Number of Shares interested	Percentage of issued share capital of the Company
Tang Dynasty Development (Yangpu) Company Limited ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
Hainan Traffic Administration Holding Co., Ltd. ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
HNA Group Co., Ltd. ⁽¹⁾	Interest of controlled corporation	2,540,222,144	74.66
HNA Holding Group ⁽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	365,000,000	10.73
China Construction Bank Corporation ⁽²⁾	Security interest in Shares	365,000,000	10.73
中國交通建設股份有限公司 (China Communications Construction Company Limited*)	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 365,000,000 Shares pledged by HNA Finance I in favour of an associate of CCB International Capital Limited; (ii) the 244,180,000 Shares pledged by HNA Finance I in favour of a branch of Bank of Luoyang; and (iii) 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 365,000,000 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. HNA Holding Group	Director Director, chairman of the board and chief executive officer
Mr. Mu Xianyi	HNA Holding Group	Chief investment officer

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was 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 Thursday, 11 January 2018 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 21 December 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 6562 Subscription.”

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

HUANG Qijun

Chairman

Hong Kong, 21 December 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. 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