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HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code : 687)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board of directors of Hong Kong International Construction Investment Management Group Co., Limited (the “Company”) (“Board of Directors”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016. During the period under review, the Group recorded a turnover of HK\$1,967 million (30 September 2015: HK\$2,313 million) and achieved a profit attributable to ordinary equity holders of the Company of HK\$46 million (30 September 2015: HK\$168 million), representing HK\$0.05 per ordinary share of the Company (“Share”) (30 September 2015: HK\$0.19 per Share).

Business Review

Foundation Piling

For the period under review, turnover of the Group’s Foundation Division decreased by 26.4% to HK\$1,289 million while contribution to profit decreased by 15.8% to HK\$143 million as compared to the corresponding period last year. EBITDA of the Division decreased by 15% to HK\$172 million compared to the same period last year (30 September 2015: HK\$201 million). The overall EBITDA margin for the segment increased by 2% from 11% to 13% for the period under review. Major contracts on hand include, inter alia, the public housing developments in Wong Tai Sin, Pak Tin Estates and Fanling, private residential developments in Tseung Kwan O, Kwun Tong, North Point, Pak Shek Kok, and commercial development in Wong Chuk Hang, Kwun Tong, Pak Shek Kok and Yuen Long.

Property Development

The Waterfront in Shanghai

For the period under review, the Group's residential project in Shanghai, The Waterfront, recognized HK\$28 million as revenue as compared to HK\$318 million in the corresponding period last year. There remained two unsold residential units which are fully fitted out and furnished duplexes.

The unsold area of The Waterfront as at 30 September 2016 is outlined below:

- Residential: About 1,000 sqm;
- Car Park: About 13 car park units;
- Non-Residential: About 4,800 sqm, representing primarily street front retail shops and a historic building.

The non-residential area has all been leased out and the remaining duplexes have been put on the market for those pursuing quality city living.

The Riverside in Tianjin

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

For the period under review, The Riverside, recognized revenue of HK\$465 million as compared to HK\$193 million in the same period last year. There remained two unsold residential units and it is expected that the whole project will be sold out soon.

The unsold area of The Riverside as at 30 September 2016 is outlined below:

- Residential: About 490 sqm;
- Car Park: About 26 car park units;
- Non-Residential: About 3,900 sqm, representing primarily street front retail shops and The Riverside's clubhouse.

The Pinnacle in Shenyang

The Group's project in Shenyang is located in Huanggu District with a site area of 41,209 sqm comprising residential and commercial development of aggregate GFA of about 165,000 sqm. The Pinnacle recognized revenue of HK\$166 million for the period under review.

Construction works have been substantially completed in early September 2016 and handover of the units to the buyers commenced in mid-September 2016. With the availability of immediate occupancy, it is expected that the confidence of our potential customers will be increased and hence improving the pace of sale in 2017.

The unsold area of The Pinnacle as at 30 September 2016 is outlined below:

- Residential: About 84,100 sqm;
- Car Park: About 991 car park units;
- Non-Residential: About 62,665 sqm, comprising a shopping mall and an office block.

EBITDA for the property development segment decreased by 27%, from HK\$295 million to HK\$214 million and the overall EBITDA margin decreased by 26% from 58% to 32% for the period under review.

Property Investment and Management

Turnover of the Group's Property Investment and Management Division during the period under review decreased from HK\$16 million to HK\$1 million compared to the corresponding period last year, mainly due to the disposal of the Group's two property investment subsidiaries which separately held Aidu Apartment and China Garden, in December 2015 and February 2016 respectively.

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

Following the close of the mandatory unconditional cash offer (the "Offer") made by HNA Finance I Co., Ltd. ("HNA Finance I") on 28 July 2016, the Company has become a subsidiary of HNA Finance I.

In order to better reflect the relationship between the Company and HNA Finance I, the Company has completed its name change and change of financial year end date in October 2016. The forthcoming financial year end date of the Company will be 31 December 2016.

Share Placement

During August and September 2016, the Company had issued 202,500,000 Shares and raised net proceeds amounted to approximately HK\$825,538,000. The Company intends to use the said proceeds for financing any investment opportunities when they arise as well as for the general working capital of the Group.

Prospects

The Government intends to supply up to 460,000 public and private units as the housing supply target for the coming 10 years, which is expected to support demand for services from the construction industry in the medium term. There is also a strong demand for professional and infrastructure services from the regions along the “One Belt One Road”. The competition in the Hong Kong’s foundation piling industry is expected to remain keen in the near future due to the growing number of market players. The Group expects that the profit margins for the Hong Kong foundation piling and construction businesses as a whole would be negatively affected by market factors such as labour shortages, rising operating costs and intensified competitions. Based on the tenders it has submitted after 31 March 2016, being its most recent financial year end, it has been observed by the Group that successful tenders for the Group or others have been achieved at levels of decreased profit margins as compared to the average profit margin achieved by the Group for the most recent financial year ended 31 March 2016 and this trend could continue in the near future.

In China, the overall property market sentiment improved significantly in the first quarter of 2016 due to a slew of relaxation policies rolled out by the Central Government to support the property market, given that a reduction in housing inventories was set as one of the five major tasks in 2016 for the Central Government. The relaxation measures boosted the confidence of buyers. Though the overall market sentiment in China has weakened since October due to the re-introduction of austerity measures in more than 20 cities to stabilize the residential market, sale of our remaining residential properties is expected to remain steady due to uniqueness of our products in terms of quality and value. However, the Group expects that profit margins of its property development project in Shenyang may not be as high as those in Shanghai and Tianjin which are first tier cities in the PRC.

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

Financial Review

The Group continues to adopt a prudent financial policy and sustain a sound capital structure with healthy cashflow. As at 30 September 2016, the Group's cash on hand was approximately HK\$2,008 million (31 March 2016: HK\$1,806 million) while total assets and net assets (after deducting non-controlling interests) were approximately HK\$5,709 million (31 March 2016: HK\$5,608 million) and HK\$2,702 million (31 March 2016: HK\$2,688 million), respectively. As at 30 September 2016, the Group's working capital amounted to HK\$2,656 million (31 March 2016: HK\$3,013 million). As at 30 September 2016, the Group did not have any net debt gearing and recorded a net cash balance of HK\$1,442 million, while the Group recorded a net cash balance of HK\$949 million as at 31 March 2016. Contingent liabilities in relation to guarantees of performance bonds increased from HK\$195 million as at 31 March 2016 to HK\$357 million as at 30 September 2016 while guarantees for end user mortgage loans amounted to HK\$27 million (31 March 2016: HK\$14 million). Certain of the Group's assets with a book value of approximately HK\$171 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were denominated in Hong Kong dollars. Currency exposure has been monitored and forward contracts will be considered when the need arises.

Employment and Remuneration Policies

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed 1,296 employees as at 30 September 2016. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance with the terms of the Group's approved share option scheme.

Interim Dividend

The Board of Directors has resolved not to declare any interim dividend (30 September 2015: HK20.0 cents per Share) for the six months ended 30 September 2016.

Consolidated Statement of Profit or Loss

		Six months ended	
		30 September	
		2016	2015
	Notes	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>Unaudited</i>	<i>Unaudited</i>
REVENUE	3	1,966,962	2,313,270
Cost of sales		(1,541,434)	(1,836,331)
Gross profit		425,528	476,939
Other income and gains	4	24,943	12,663
Selling expenses		(20,888)	(32,685)
Administrative expenses		(37,702)	(24,636)
Management incentive bonus	5	(192,408)	(276)
Changes in fair value of investment properties		20,170	32,952
Other expenses, net		(4,177)	(18,322)
Finance costs		(4,778)	(5,121)
PROFIT BEFORE TAX	5	210,688	441,514
Income tax expense	6	(173,380)	(218,498)
PROFIT FOR THE PERIOD		<u>37,308</u>	<u>223,016</u>
Attributable to:			
Ordinary equity holders of the Company		46,018	167,999
Non-controlling interests		(8,710)	55,017
		<u>37,308</u>	<u>223,016</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>5.10 cents</u>	<u>19.21 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Comprehensive Income

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>
PROFIT FOR THE PERIOD	37,308	223,016
OTHER COMPREHENSIVE EXPENSES		
Other comprehensive expenses to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	<u>(58,369)</u>	<u>(55,162)</u>
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD, NET OF TAX	<u>(58,369)</u>	<u>(55,162)</u>
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE PERIOD	<u>(21,061)</u>	<u>167,854</u>
Attributable to:		
Ordinary equity holders of the Company	(12,351)	112,837
Non-controlling interests	<u>(8,710)</u>	<u>55,017</u>
	<u>(21,061)</u>	<u>167,854</u>

Consolidated Statement of Financial Position

		As at 30 September 2016 <i>HK\$'000</i> <i>Unaudited</i>	As at 31 March 2016 <i>HK\$'000</i> <i>Audited</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	304,687	333,405
Investment properties		189,102	172,636
Prepayments, deposits and other receivables		5,600	1,386
Interests in an associate	10	—	—
Other assets		1,080	1,350
Available-for-sale investment		1,162	1,197
Derivative financial instrument		18,650	8,533
Deferred tax assets		46,303	49,133
		<hr/>	<hr/>
Total non-current assets		566,584	567,640
CURRENT ASSETS			
Properties under development		13,488	1,772,959
Inventories		18,461	23,551
Properties held for sale		2,119,183	302,596
Amounts due from customers for contract works		239,991	116,625
Trade and retention receivables	11	665,877	727,243
Prepayments, deposits and other receivables		71,128	283,542
Tax prepaid		6,154	7,480
Time deposits		1,419,216	1,303,589
Cash and bank balances		589,003	502,830
		<hr/>	<hr/>
Total current assets		5,142,501	5,040,415

Consolidated Statement of Financial Position (continued)

		As at 30 September 2016 <i>HK\$'000</i> <i>Unaudited</i>	As at 31 March 2016 <i>HK\$'000</i> <i>Audited</i>
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and retention payables and accruals	12	1,045,938	634,734
Other payables, deposits received and receipts in advance		356,907	40,155
Amounts due to customers for contract works		466,150	660,898
Deposits received		148,382	214,233
Interest-bearing bank borrowings		178,979	198,568
Tax payable		289,989	279,206
		<hr/>	<hr/>
Total current liabilities		2,486,345	2,027,794
		<hr/>	<hr/>
NET CURRENT ASSETS		2,656,156	3,012,621
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,222,740	3,580,261
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Accrual	12	—	4,387
Interest-bearing bank borrowings		387,093	658,378
Deferred tax liabilities		121,085	140,304
		<hr/>	<hr/>
Total non-current liabilities		508,178	803,069
		<hr/>	<hr/>
Net assets		2,714,562	2,777,192
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	13	107,716	87,466
Reserves		2,594,357	2,600,937
		<hr/>	<hr/>
		2,702,073	2,688,403
Non-controlling interests		12,489	88,789
		<hr/>	<hr/>
Total equity		2,714,562	2,777,192
		<hr/> <hr/>	<hr/> <hr/>

1. Corporate information

Hong Kong International Construction Investment Management Group Co., Limited (the “Company”) is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is at 20th Floor, One Island South, No.2 Heung Yip Road, Wong Chuk Hang, Hong Kong. The Company and its subsidiaries (the “Group”) is principally engaged in foundation piling and site investigation, property development and property investment and management. The Company’s shares (“Shares”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Upon the completion of the acquisition of 577,279,496 shares of the Company by HNA Finance I Co., Ltd. from Tides Holdings II Ltd. on 30 June 2016, the Company becomes a subsidiary of HNA Finance I Co., Ltd.. Pursuant to a special resolution passed at the annual general meeting of the Company on 23 August 2016 and approved by the Registrar of Companies in Bermuda on 13 September 2016 and Registrar of Companies in Hong Kong on 29 September 2016, the name of the Company was changed from Tysan Holdings Limited to Hong Kong International Construction Investment Management Group Co., Limited. In order to align the financial year end date of the Company with that of HNA Group Co., Ltd., the holding company of the Company’s controlling shareholder, HNA Finance I Co., Ltd., the financial year end date of the Company was changed from 31 March to 31 December with effective from 20 September 2016.

As at 30 September 2016, the holding company of the Company is HNA Finance I Co., Ltd., a company incorporated in Anguilla with limited liability and ultimately controlled by Hainan Province Cihang Foundation.

2. Basis of preparation and accounting policies

The unaudited interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and should be read in conjunction with the annual financial statements for the year ended 31 March 2016.

The accounting policies used in the preparation of the unaudited interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2016, except for adoption of the following revised standards, amendments and interpretations issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidated Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The Group has assessed the adoption of the revised HKFRSs and considered that there had no significant financial effect on the results and financial position of the Group for the current and prior accounting periods.

2. Basis of preparation and accounting policies (continued)

The Group has not early adopted any new accounting and financial reporting standards, amendments to existing standards and interpretations which have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised standards, amendments and interpretations and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

The unaudited interim financial statements were approved and authorised for issue by the Board of Directors on 25 November 2016.

3. Segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provided. Operating segments are reported in a manner consistent with internal reporting to the Company's key management personnel.

For the six months ended 30 September 2016

	Foundation piling <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	1,289,424	660,081	1,469	15,988	—	1,966,962
Intersegment sales	—	—	—	—	—	—
Other income and gains	295	6,547	272	896	—	8,010
Total	<u>1,289,719</u>	<u>666,628</u>	<u>1,741</u>	<u>16,884</u>	<u>—</u>	<u>1,974,972</u>
Segment results	191,616	258,765	(7,134)	(46,154)	—	397,093
Management incentive bonus	(48,797)	(48,102)	—	(95,509)	—	(192,408)
Interest income						4,576
Fair value gains on derivative instrument – transaction not qualifying as hedge						6,205
Finance costs						(4,778)
Profit before tax						210,688
Income tax expense						(173,380)
Profit for the period						<u>37,308</u>

3. Segment information (continued)

For the six months ended 30 September 2015

	Foundation piling <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:						
Sales to external customers	1,752,349	512,305	15,849	32,767	—	2,313,270
Intersegment sales	—	169	—	622	(791)	—
Other income and gains	707	624	1,477	1,191	—	3,999
Total	<u>1,753,056</u>	<u>513,098</u>	<u>17,326</u>	<u>34,580</u>	<u>(791)</u>	<u>2,317,269</u>
Segment results	170,413	287,604	6,763	(25,342)	—	439,438
Management incentive bonus	(698)	(470)	(23)	(276)	—	(1,467)
Interest income						8,664
Finance costs						<u>(5,121)</u>
Profit before tax						441,514
Income tax expense						<u>(218,498)</u>
Profit for the period						<u>223,016</u>

4. Other income and gains

	Six months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income	4,576	8,664
Gain on disposal and write-off of items of property, plant and equipment	5,977	—
Gain on disposal of a subsidiary	126	—
Management service income	209	206
Fair value gains on derivative instrument – transaction not qualifying as hedge	6,205	—
Subsidy income*	207	219
Others	7,643	3,574
	<u>24,943</u>	<u>12,663</u>

* There are no unfulfilled conditions or contingencies relating to this income.

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation	38,305	41,095
Fair value gains on derivative instrument – transaction not qualifying as hedge*	(6,205)	—
Loss/(gain) on disposal and write-off of items of property, plant and equipment*	(5,977)	3,498
Write-down/(reversal for write-down) of inventories to net realisable value*	40	(328)
Impairment of trade receivables*	—	756
Write back of impairment of other receivables*	(51)	(43)
Write-off of trade receivables*	—	88
Finance costs	4,778	5,121
Management incentive bonus [#]	<u>192,408</u>	<u>1,467</u>

* These amounts are included in “Other income and gains” or “Other expenses, net” in the consolidated statement of profit or loss.

[#] The Company has adopted an incentive scheme in favour of its executive directors and the Group's senior management. The incentive bonus is calculated by reference to dividends declared by the Company and in the event that there is a change in control of the Company, unvested rights in this incentive scheme will vest immediately and no further grants will be made but an aggregate payment equal to 4.5% of the value of the Company will be made to the participants in that incentive scheme. The change of the controlling shareholder of the Company, which was completed on 30 June 2016, triggered an aggregate payment of approximately HK\$197,981,000 under the incentive scheme, out of which HK\$192,408,000 was recorded as an expense for the period ended 30 September 2016. During the period ended 30 September 2015, total management incentive bonus of HK\$1,467,000 was recorded as an expense, of which HK\$1,191,000 was included in “Cost of sales” in the consolidated statement of profit or loss.

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere in the People's Republic of China ("PRC") have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Current:		
Provision for tax in respect of profit for the period:		
PRC:		
Hong Kong	28,175	16,460
Elsewhere	142,037	163,041
	<u>170,212</u>	<u>179,501</u>
Overprovision in prior periods:		
PRC:		
Hong Kong	—	(3)
Elsewhere	(4,880)	—
	<u>(4,880)</u>	<u>(3)</u>
Deferred tax	8,048	39,000
	<u>173,380</u>	<u>218,498</u>

7. Dividend

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend – Nil (2015: HK20.0 cents per ordinary share)	<u>—</u>	<u>174,933</u>

8. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$46,018,000 (2015: HK\$167,999,000), and the average number of ordinary shares of 902,542,952 (2015: 874,665,903) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 September 2016 and 2015.

9. Property, plant and equipment

During the period, the Group acquired property, plant and equipment with a cost of HK\$12,089,000 (30 September 2015: HK\$13,996,000) to expand its business. Property, plant and equipment with a net book value of HK\$660,000 were disposed of and written off by the Group during the six months ended 30 September 2016 (30 September 2015: HK\$3,744,000) resulting in a net gain on disposal/written off of HK\$5,977,000 (30 September 2015: net loss of HK\$3,498,000).

10. Interests in an associate

	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
Share of net assets	—	—
Amount due from an associate	<u>386</u>	<u>384</u>
	386	384
Less: Impairment	<u>(386)</u>	<u>(384)</u>
	<u>—</u>	<u>—</u>

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

11. Trade and retention receivables

The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers other than for retention receivables are within 30 days, and are subject to periodic review by management. In view of the aforementioned and the fact that the Group's trade and retention receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and retention receivable balances. Trade and retention receivables are non-interest-bearing.

	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
Trade and retention receivables	665,881	727,634
Impairment	(4)	(391)
	<u>665,877</u>	<u>727,243</u>

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
Trade receivables:		
Within 90 days	368,520	415,191
91 to 180 days	3,554	5,205
181 to 360 days	531	3,535
Over 360 days	16,077	12,619
	<u>388,682</u>	<u>436,550</u>
Retention receivables	277,195	290,693
	<u>665,877</u>	<u>727,243</u>

Included in the trade and retention receivables is an amount due from a related company of HK\$3,686,000 (31 March 2016: HK\$572,000), which is repayable on similar credit terms to those offered to the major customers of the Group.

12. Trade and retention payables and accruals

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
Trade payables:		
Within 90 days	201,750	193,460
91 to 180 days	12	273
Over 180 days	428	531
	<u>202,190</u>	<u>194,264</u>
Retention payables	193,722	190,870
Accruals	650,026	253,987
	<u>1,045,938</u>	<u>639,121</u>
Less: Accrual classified as non-current liabilities	—	(4,387)
	<u><u>1,045,938</u></u>	<u><u>634,734</u></u>

13. Share capital

	As at 30 September 2016 HK\$'000	As at 31 March 2016 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
1,077,165,903 (31 March 2016: 874,665,903) ordinary shares of HK\$0.10 each	<u>107,716</u>	<u>87,466</u>

13. Share capital (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015	874,665,903	87,466	563,861	651,327
Transfer to contributed surplus	—	—	(563,861)	(563,861)
At 31 March 2016 and 1 April 2016	874,665,903	87,466	—	87,466
Issue of shares (note)	202,500,000	20,250	805,950	826,200
Share issue expenses	—	—	(662)	(662)
At 30 September 2016	<u>1,077,165,903</u>	<u>107,716</u>	<u>805,288</u>	<u>913,004</u>

Note:

During the period ended 30 September 2016, 202,500,000 shares were issued at a subscription price of HK\$4.08 per share for a total cash consideration, before expenses, of HK\$826,200,000.

Subsequent to the end of the reporting period, 57,000,000 shares were issued at a subscription price of HK\$4.08 per share for a total cash consideration, before expenses of HK\$232,560,000.

14. Contingent liabilities

(a)

	As at 30 September 2016 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>
Guarantees in respect of performance bonds in relation to subsidiaries	<u>357,166</u>	<u>195,469</u>

(b) As at 30 September 2016, the Group provided guarantees in respect of mortgages facilities granted by Shenyang Housing Fund Management Center relating to the mortgage loans arranged for purchases of certain properties developed by a subsidiary of the Company and the outstanding mortgage loans under these guarantees amounted to HK\$26,649,000 (31 March 2016: HK\$14,277,000).

15. Commitments

	As at 30 September 2016 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>
(a) Capital expenditure for property, plant and equipment: - contracted, but not provided for	<u>1,092</u>	<u>—</u>
(b) Commitments in respect of construction works relating to properties under development and properties held for sale: - contracted, but not provided for	<u>—</u>	<u>393,734</u>
(c) Commitments under non-cancellable operating leases for land and buildings to make payments:		
Within one year	<u>16,859</u>	<u>17,597</u>
In the second to fifth years, inclusive	<u>11,520</u>	<u>13,602</u>
	<u>28,379</u>	<u>31,199</u>

16. Acquisition of additional interests in a subsidiary

On 19 April 2016, the Company, Fortunate Pool Limited and Mr. Fung Chiu Chak, Victor (“Mr. Fung”) entered into a sales and purchase agreement, pursuant to which the Company agreed to purchase and Fortunate Pool Limited agreed to sell 40% equity interest in Tysan Foundation (Hong Kong) Limited (“TFHKL”), a non-wholly owned subsidiary of the Company (the “Foundation Transaction”). Fortunate Pool Limited, which is wholly-owned by Mr. Fung, an executive director of the Company, was the non-controlling shareholder of 40% issued shares of TFHKL.

The Foundation Transaction takes place in two phases. Phase 1 of the Foundation Transaction was completed on 4 July 2016 when the Company paid cash of approximately HK\$732,192,000 to acquire 35% equity interest in TFHKL (“Phase 1 Transaction”). Immediately after the completion of Phase 1 Transaction, the Company’s equity interest in TFHKL increased from 60% to 95%. Such transaction was accounted for as an equity transaction and the debit difference of HK\$694,919,000 between the consideration of HK\$732,192,000 and the carrying amount of the non-controlling interest of HK\$37,273,000 was recorded in the retained profits in the equity. Phase 2 of the Foundation Transaction, in which the Company will pay cash of HK\$104,598,000 to acquire the remaining 5% equity interest in TFHKL, shall take place on or before 30 June 2017. Phase 2 of the Foundation Transaction was accounted for as forward contract to acquire the shares held by the non-controlling interests in a subsidiary. The consideration payable of approximately HK\$104,598,000 was recognised as other payable and the corresponding debit was made to forward equity contract in the equity.

Further details of the Foundation Transaction are set out in the Company’s announcements dated 19 April 2016, 30 June 2016 and 4 July 2016, and circular dated 23 May 2016.

17. Related party transactions

Save as disclosed elsewhere in this announcement, the Group had the following transactions with related parties during the period ended 30 September 2016:

- a) For the six months ended 30 September 2016, compensation to key management personnel of the Group amounted to HK\$164,238,000 (2015: HK\$9,585,000).
- b) Details of the Group's balance with a related company as at the end of the reporting period are included in note 11 to this announcement.

During the period ended 30 September 2016, Tysan Building Construction Company Limited ("TBC"), Tysan Engineering (H.K.) Company Limited ("TEHK") and Cando Trading Limited, related companies of the Group, paid rental charge of HK\$347,000 (2015: HK\$347,000), HK\$101,000 (2015: HK\$101,000) and HK\$84,000 (2015: HK\$84,000), respectively, and management fee of HK\$137,000 (2015: HK\$134,000), HK\$39,000 (2015: HK\$39,000) and HK\$33,000 (2015: HK\$33,000), respectively, to the Group. TBC, TEHK and Cando Trading Limited are ultimately controlled by Mr. Fung, who is an executive director of the Company.

These transactions were entered into by the Group and its related companies in accordance with the terms of the agreements.

- c) During the period ended 30 September 2016, TBC subcontracted rental and engineering works relating to tower cranes of approximately HK\$4,031,000 (2015: HK\$993,000) and foundation works of approximately HK\$24,409,000 (2015: Nil) to the Group.

During the period ended 30 September 2015, the Group subcontracted engineering and mechanical works of approximately HK\$150,000 to TEHK.

These transactions were entered into in accordance with the terms of the agreements.

- d) During the period ended 30 September 2016, the Group sold property held for sale to a close family member of a key management personnel for a consideration of HK\$1,012,000. This property was sold according to prices and conditions similar to those offered to other non-related customers of the Group.
- e) During the periods ended 30 September 2016 and 2015, Mr. Fung, who is a beneficial shareholder of certain subsidiaries of the Company through Fortunate Pool Limited, provided personal guarantees to financial institutions in connection with general credit facilities and performance bonds granted to certain subsidiaries of the Group.

Corporate Governance

During the period under review, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) on the Main Board of The Stock Exchange of Hong Kong Limited save for the following deviations:

Code Provision A4.1 stipulates that non-executive directors should be appointed for a specific term subject to re-election.

Non-executive directors of the Company (“Non-executive Directors”) and independent non-executive directors of the Company (“Independent Non-executive Directors”) are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company (“Bye-laws”). As such, the Board of Directors is of the view that Non-executive Directors and Independent Non-executive Directors do not have to be appointed for a specific term.

Code Provision A4.2 stipulates every director should be subject to retirement by rotation at least once every three years.

According to the Bye-laws, one-third of the directors shall retire from office by rotation at each annual general meeting, provided that notwithstanding anything therein, the chairman of the Board of Directors (“Chairman”) and the managing director of the Company (“Managing Director”) shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire. As continuity is a key factor to the successful long term implementation of business plans, the Board of Directors believes that the roles of the Chairman and the Managing Director provide the Group with strong and consistent leadership and allow effective planning and execution of long-term business strategies. As such, the Board of Directors is of the view that the Chairman and the Managing Director should not be subject to retirement by rotation.

Audit Committee

The Group’s audit committee (“Audit Committee”) comprises four members, Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee who are Independent Non-executive Directors. The Chairman of the Audit Committee is Mr. Fan Chor Ho.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of the Group, review the Group’s financial information, compliance and provide advice and comments to the Board of Directors.

The unaudited condensed interim financial statements of the Group for the six months ended 30 September 2016 have been reviewed by the Audit Committee.

Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions. Having made specific enquiry, all the directors of the Company have confirmed that they have fully complied with the required standard set out in the Model Code for the period under review.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period.

By Order of the Board
**Hong Kong International Construction
Investment Management Group Co., Limited**
Li Tongshuang
Chairman

Hong Kong, 25 November 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Li Tongshuang, Mr. Fung Chiu Chak, Victor, Mr. Chiu Chin Hung, Mr. Lau Kin Fai, Mr. Fan Ning and Mr. Meng Yongtao; the non-executive Director of the Company is Mr. Liu Junchun; and the independent non-executive Directors of the Company are Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee.

Company website: www.hkicimgroup.com