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HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

(1) CONNECTED TRANSACTIONS (2) CONTINUING CONNECTED TRANSACTIONS AND (3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

THE PROJECT DEVELOPMENT AGREEMENTS

On 6 July 2017, Gainful entered into the 6562 Project Development Agreement and the 6565 Project Development Agreement with Denco and HIC respectively, pursuant to which Denco and HIC (each as an owner) agreed to exclusively appoint Gainful as their respective sole agent to develop the 6562 Land Parcel and the 6565 Land Parcel, respectively, in accordance with the conditions of the respective Project Development Agreements and the Conditions of Sale.

HIC and Denco are both non-wholly-owned subsidiaries of HNA Group, which in turn is the holding company of HNA Finance I, the controlling shareholder of the Company. HIC and Denco being associates of HNA Finance I are therefore connected persons of the Company under Chapter 14A of the Listing Rules. One or more of the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in relation to the Connected Transactions (on an aggregate basis) are more than 5% but less than 25%. However, as the Connected Transactions are transactions of a revenue nature in the ordinary and usual course of business of the Group, the provision of the services

by Gainful under the Project Development Agreements will not constitute notifiable transactions under Chapter 14 of the Listing Rules, but will constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As the aggregated estimated Remuneration payable by the Owners to Gainful is more than HK\$10,000,000, the Connected Transactions contemplated under each of the Project Development Agreements will therefore be subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the interests of HNA Finance I in the Project Development Agreements, HNA Finance I and its associates shall abstain from voting in respect of the resolution(s) relating to the Project Development Agreements and the Connected Transactions at the SGM.

THE NEW MASTER AGREEMENT

On 6 July 2017, the Company (for itself and on behalf of other members of the Group) entered into the New Master Agreement with Mr. Victor Fung (for himself and on behalf of companies owned or controlled by Mr. Victor Fung) in respect of (i) the subcontracting of foundation works by the members of the Fung Group to the members of the Group; (ii) the subcontracting of building and construction works by the members of the Group to the members of the Fung Group or vice versa; (iii) the subcontracting of EM works by the members of the Group to the members of the Fung Group, or (iv) the subcontracting of rental of tower cranes and provision of engineering services by the members of the Fung Group to the members of the Group.

Mr. Victor Fung is an executive Director. As such, Mr. Victor Fung and companies owned or controlled by Mr. Victor Fung as to 30% or more are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. The transactions between members of the Group and members of the Fung Group under the New Master Agreement will therefore constitute continuing connected transactions for the Company. One or more of the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in relation to the Annual Caps are more than 25% but less than 100%. However, as the Continuing Connected Transactions are transactions of a revenue nature in the ordinary and usual course of business of the Group, the Continuing Connected Transactions will not constitute notifiable transactions under Chapter 14 of the Listing Rules, but will be continuing connected transactions for the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the knowledge, information and beliefs of the Directors, no Shareholder or their associates has any material interest in the New Master Agreement and therefore no Shareholder is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the approval of the New Master Agreement, the Continuing Connected Transactions, and the Annual Caps. Pursuant to Rule 14A.37 of the Listing Rules, the Company will obtain a written approval from HNA Finance I, which is as at the date of this announcement interested in 2,540,222,144 Shares, representing approximately 74.66% of the issued Shares, to approve the New Master Agreement, the Continuing Connected Transactions and the Annual Caps contemplated thereunder in lieu of holding a general meeting.

The Company will apply to the Stock Exchange for a waiver pursuant to Rule 14A.37 of the Listing Rules, to accept the written approval from HNA Finance I in lieu of the requirement to hold a general meeting to consider the New Master Agreement, the Continuing Connected Transactions and the Annual Caps contemplated thereunder. Subject to the grant by the Stock Exchange of the waiver, the shareholders' approval requirement will be satisfied by means of such written approval of and a general meeting of the Company to approve the New Master Agreement, the Continuing Connected Transactions and the Annual Caps will not be held.

OTHER INFORMATION

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee as at the date of this announcement, has been established to advise the Independent Shareholders as to whether the Project Development Agreements (including the Connected Transactions contemplated thereunder) and the New Master Agreement (including the Continuing Connected Transactions contemplated thereunder and the Annual Caps) are in the interests of the Company and the Shareholders as a whole and whether they are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

Somerley has been appointed by the Company (subject to the approval of the Independent Board Committee) as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Project Development Agreements (including the Connected Transactions contemplated thereunder) and the New Master Agreement (including the Continuing Connected Transactions contemplated thereunder and the Annual Caps).

Subject to the grant by the Stock Exchange of the waiver to accept written shareholder's approval in lieu of the requirement to hold a general meeting of the Company to approve the New Master Agreement, the Continuing Connected Transactions and the Annual Caps, no general meeting of the Company will be held for this purpose.

The SGM will be convened and held for the purpose of considering and, if thought fit, approving the Project Development Agreements and the Connected Transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Project Development Agreements; (ii) further details of the New Master Agreement; (iii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the SGM, is expected to be despatched to Shareholders on or about 27 July 2017.

THE PROJECT DEVELOPMENT AGREEMENTS

Reference is made to the announcement of the Company dated 19 January 2017 in respect of, amongst others, the memorandum of understanding entered into by Gainful with Denco and HIC in connection with the potential engagement of Gainful by Denco and HIC to provide certain engineering, procurement, construction, designing, project management and other services in relation to the development of a proposed residential and non-industrial project on the 6562 Land Parcel and the 6565 Land Parcel.

On 6 July 2017, Gainful entered into the 6562 Project Development Agreement and the 6565 Project Development Agreement with Denco and HIC respectively, pursuant to which Denco and HIC (each as an owner) agreed to exclusively appoint Gainful as their respective sole agent to develop the 6562 Land Parcel and the 6565 Land Parcel respectively in accordance with the respective conditions of the respective Project Development Agreements and the Conditions of Sale.

	6562 Project Development Agreement	6565 Project Development Agreement
Date:	6 July 2017	6 July 2017
Parties:	(i) Denco; and (ii) Gainful	(i) HIC; and (ii) Gainful
Land Parcel:	The 6562 Land Parcel	The 6565 Land Parcel

Apart from the parties, the land parcel and the estimated Project Costs (as defined and described below), other terms of the 6562 Project Development Agreement and the 6565 Project Development Agreement are substantially the same. The principal terms of the 6562 Project Development Agreement and the 6565 Project Development Agreement are set out below.

Subject matter: Gainful has agreed that, for the purpose of carrying out the Development, it will (by itself or by engaging the appropriate professional team, as determined by Gainful as its discretion):-

- (a) procure the design, construction and completion of the Development on the relevant parcel of land complying in all respects with, amongst other things, the Project Development Agreements, the Conditions of Sale and any other subsequent supplemental agreements in relation to the Development;
- (b) procure the issuance of the occupation permit in respect of the Development;
- (c) procure the issuance of all requisite consents and approvals under the Conditions of Sale (including without limitation the certificate of compliance and where applicable, consent to assign); and
- (d) procure the grant of consent for the sale or leasing of the units (including residential units and any commercial areas) of the Development such as pre-sale consent and promotional consent, and approval of the deed of mutual covenant and management agreement of the Development by the Government of Hong Kong.

The scope of work contemplated under each of the Project Development Agreements does not include the disposal (whether sale or pre-sale), marketing, promotion and leasing of the units in the relevant Development and the property management of the completed Development. Any requirement to take out such additional work by Gainful will be subject to further negotiations.

Gainful will have the right and authority to select, appoint and terminate the professional team in connection with the execution of the Development Works.

Condition precedent:

The Project Development Agreements and the terms and conditions thereof are subject to the condition precedent that the Project Development Agreements and the Connected Transactions are approved by the Independent Shareholders in accordance with the Listing Rules and (if applicable) other approval of the Stock Exchange, and if such approval is not obtained on or before 31 December 2017 (or such later date as may be agreed by the parties to the Project Development Agreements), the Project Development Agreements will automatically terminate and no party thereto shall have any claim against the other party.

Funding of the
Development:

The Owners shall be solely responsible for the fees, costs, expenses and sums incurred or paid in connection with the carrying out of the works (or any part thereof) of or in connection with the commencement, carrying out and completion of the construction of the Development (the “**Development Works**”) including without limitation:-

- (a) as from the date of possession of the Land Parcels by Gainful, all outgoings of a recurring nature in respect of the Land Parcels and any building thereon;
- (b) all fees payable to the works contractors and the professional team; and
- (c) all fees, costs and expenses for carrying out the Development Works, including without limitation the cost overrun and costs and expenses incurred as a result of the delay in carrying out the Development Works,

(collectively, the “**Project Costs**”).

The Owners shall be responsible for all the risks for the Development (including the carrying out of the Development Works and for any cost overrun and the costs and expenses incurred as a result of the delay in carrying out the Development Works).

Remuneration:

Each of the Owners shall pay to Gainful an amount which is equal to five percent (5%) of the Project Costs incurred up to the end of the twelve (12) months after practical completion of the Development (the “**Defects Liability Period**”).

The Remuneration shall be paid by each of the Owners to Gainful under each of the Project Development Agreements in the following manner:

- (a) a sum of HK\$15,000,000.00 (representing part of the estimated expenses and administrative costs to be incurred by Gainful for performing its obligations under the Project Development Agreements up to the completion of the foundation of the Development) (the “**Advance Payment**”) shall be paid by each of the Owners to Gainful on the date on which the condition precedent to the Project Development Agreements is satisfied as advance payment of part of the Remuneration. The Advance Payment shall be applied towards off-setting any monthly Remuneration payable by the Owners to Gainful in accordance with paragraph (b) below until fully utilized;
- (b) Gainful shall on a monthly basis commencing from the expiry of the first month after the appointment of an authorized person as defined under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) being appointed in respect of the Development (the “**Authorized Person**”) submit to the Owners a written statement (which shall be certified by the Authorized Person) stating (1) the Project Costs incurred by Gainful in the preceding month, (2) amount of the Remuneration due to Gainful by reference to such Project Costs incurred, (3) the amount of the balance of Advance Payment (if any) after deduction of the amount of the Remuneration due to Gainful and (4) the net amount of Remuneration payable (if any) by the Owners to Gainful.

The Owners shall pay the amount of the monthly Remuneration due to Gainful (if any) within fourteen days after the receipt of the written statement stated above.

As at the date hereof, the estimated Project Costs in respect of the 6562 Project Development Agreement and the 6565 Project Development Agreement are HK\$1,900,000,000.00 and HK\$3,100,000,000.00 respectively. As such, the estimated Remuneration payable by the Owners to Gainful in respect of the 6562 Project Development Agreement and the 6565 Project Development Agreement will be HK\$95,000,000.00 and HK\$155,000,000.00 respectively.

The Remuneration was determined after arm's length negotiations between Gainful and the Owners, taking into account of (i) the scale and size of the Development; (ii) resources to be engaged by Gainful in the Development; and (iii) the percentage of remuneration payable by other developers for developing the land parcel of similar nature and size with the Land Parcels.

REASONS FOR AND BENEFITS OF THE PROJECT DEVELOPMENT AGREEMENTS AND THE CONNECTED TRANSACTIONS

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

HIC is a company incorporated in Hong Kong with limited liability and is principally engaged in property development and property holding.

Denco is a company incorporated in Hong Kong with limited liability and is principally engaged in property development and property holding.

As mentioned in the announcement of the Company dated 19 January 2017, the Company is seeking to extend the Group's property development, investment and management business in the PRC, foundation piling and site investigation in Hong Kong to include project management and construction related businesses in Hong Kong, and the entering into the Project Development Agreements presents a business opportunity for the Group to enhance its long-term growth potential. Having considered the scale and size of the Development, and based on the existing expertise

of the management members of the Group who will form the core members based around whom the Group will form a dedicated project management team, the Directors believe that entering into the Project Development Agreements and providing the services in relation to the Development, the Group will be able to build on its project management experience in the PRC and apply its expertise in relation to the development of residential and non-industrial projects in Hong Kong, with a view to participating in other similar projects in Hong Kong.

The Directors (excluding (i) the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the circular and (ii) each of Mr. Zhao Quan, Mr. Liu Junchun, Mr. Fan Ning, Mr. Meng Yongtao and Mr. Wong Tai Lun Kenneth, being Directors nominated to the Board by HNA Finance I, who had abstained from voting on the Project Development Agreements so as to avoid a perception of a conflict of interest) consider that the terms of each of the Project Development Agreements and the Connected Transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole. At the Board meeting to approve the Project Development Agreements and the Connected Transactions contemplated thereunder, the Directors nominated to the Board by HNA Finance I, were in support of the Project Development Agreements and the Connected Transactions contemplated thereunder, but so as to avoid a perception of a conflict of interest, had abstained from voting on the resolutions to approve the same.

THE NEW MASTER AGREEMENT

Reference is made to the announcement of the Company dated 3 November 2014 and the circular of the Company dated 28 November 2014 in respect of, amongst others, the 2014 Master Agreement.

The 2014 Master Agreement expired on 31 March 2017. It is expected that the Group may enter into transactions of a nature similar to the transactions under the 2014 Master Agreement from time to time, and therefore, in view of the above and in order to accommodate such transactions between the parties, on 6 July 2017, the Company entered into the New Master Agreement with Mr. Victor Fung (for himself and on behalf of companies owned or controlled by Mr. Victor Fung).

The principal terms of the New Master Agreement are set out below:

Date: 6 July 2017

Parties: (1) The Company (for itself and on behalf of other members of the Group); and

(2) Mr. Victor Fung (for himself and on behalf of companies owned or controlled by Mr. Victor Fung)

Continuing Connected
Transactions:

Under the New Master Agreement, the Appointor may at its discretion subcontract the whole or any part or parts of the works under a contract of works it has been awarded or appointed, to the Appointee in the ordinary and usual course of its business. The Appointor may do so by entering into separate and definitive agreements from time to time with the Appointee in the Prescribed Manner to provide for the detailed terms of each transaction in accordance with the principles set out in the New Master Agreement and subject to the Annual Caps.

Detailed terms under each separate agreement shall include, without limitation: (1) the scope of the works concerned with detailed specifications as to the particulars, extent and standards of the works to be undertaken and the price thereof; (2) the manner of payment and/or settlement for such works; (3) specifications as to the materials, if any, to be supplied; and (4) other terms and conditions in relation to the provision of the works concerned, provided that: (a) such detailed terms shall be on normal commercial bases and on terms no less favourable to the Group than those available to or from, as the case may be, independent third parties; (b) the pricing thereof shall be no less favourable than the prevailing market rate; and (c) such terms shall be fair and reasonable and in the interest of the Shareholders as a whole.

For the avoidance of doubt, depending on the circumstances, each of the parties to the New Master Agreement may be an Appointor on one occasion of subcontracting and an Appointee on another occasion.

Condition Precedent: The New Master Agreement and the terms and conditions thereof are subject to the condition precedent that the New Master Agreement and the terms and conditions thereof and the Continuing Connected Transactions contemplated thereunder receive the approval of the Independent Shareholders in accordance with the Listing Rules and the approval of the Stock Exchange (where necessary). If such approval is not obtained on or before 31 December 2017 (or such later date as may be agreed by the parties thereto), the New Master Agreement will automatically terminate and no party to the New Master Agreement shall have any claim against any other party or parties under the New Master Agreement.

Term: The New Master Agreement is for a term commencing from 6 July 2017 and ending on 31 December 2019, both days inclusive.

Historical Amounts: During each of the two years ended 31 March 2016 and the nine months period ended 31 December 2016, the actual transaction amounts and the annual caps in respect of the continuing connected transactions of the Group under the 2014 Master Agreement are set out below.

	Actual <i>(HK\$'</i> <i>million)</i>	Caps amount <i>(HK\$'</i> <i>million)</i>
<i>For the year ended 31</i>		
<i>March 2015</i>		
1. Foundation works	—	100
2. Building and construction works	0.69	100
3. EM works	1.80	175
4. Rental and engineering works relating to tower cranes	5.61	10

	Actual <i>(HK\$'</i> <i>million)</i>	Caps amount <i>(HK\$'</i> <i>million)</i>
<i>For the year ended 31</i>		
<i>March 2016</i>		
1. Foundation works	—	100
2. Building and construction works	—	100
3. EM works	0.15	175
4. Rental and engineering works relating to tower cranes	1.86	10
<i>For the nine months</i>		
<i>period ended 31</i>		
<i>December 2016</i>		
1. Foundation works	24.41	100
2. Building and construction works	—	100
3. EM works	0.26	175
4. Rental and engineering works relating to tower cranes	6.55	10

Annual Caps :

The maximum aggregate value of the contract sum in respect of each category of works to be subcontracted by any party to another party to the New Master Agreement in the Prescribed Manner for each of the financial years concerned under the New Master Agreement shall not exceed the amounts set out below.

	Financial Year Ending		
	31 Dec	31 Dec	31 Dec
	2017	2018	2019
	<i>(HK\$'</i>	<i>(HK\$'</i>	<i>(HK\$'</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
Foundation works	300	300	300
Building and construction works	100	1,500	2,000
EM works	175	500	500
Rental and engineering works relating to tower cranes	10	20	20

To this end, there will be flexibility, if considered desirable, to reallocate all or part of the Annual Caps, by carrying forward any unutilized Annual Caps in case a project is delayed, or bringing forward part of the Annual Caps for the following year in case a project is accelerated. Such reallocation can be between the same or different categories of works. If there is such reallocation of Annual Caps, the Company will publish an announcement to inform the Shareholders accordingly.

The Annual Caps set out above have been determined by reference to (1) the Group's turnover and the relevant divisions' turnover for the past three years; (2) an estimate of works required and the timing of the works; and (3) the current, prospective and future projects of the Group, and in particular in the foundation, building and construction sectors in Hong Kong including but not limited to the construction and development of the 6564 Land Parcel and the 6563 Land Parcel as described below.

Certain annual caps under the 2014 Master Agreement were not utilized or hardly utilized in any one year. The vagaries affecting our businesses mean that the contracts we bid and the value of each of the components of such contracts can vary substantially. For example, in the years ended 31 March 2015 and 31 March 2016, there was no foundation works under the 2014 Master Agreement but for the nine months ended 31 December 2016, there were foundation works in the amount of approximately HK\$24.41 million. Similarly, rental and engineering works relating to tower cranes were small in the year ended 31 March 2016, but the rental and engineering works relating to tower cranes amounted to approximately HK\$5.61 million and HK\$6.55 million for the year ended 31 March 2015 and the nine months ended 31 December 2016, respectively. The size of construction projects for which the Group members or members of the Fung Group are successfully awarded is not

uniform or incremental. If the annual caps sought are too small, the Group and the Fung Group may only be able to subcontract a small number of jobs, or jobs of a smaller value to a member of the Fung Group, or vice versa. As such, the Annual Caps have been determined to cater for possible subcontracting works by the parties to the New Master Agreement on the basis of successful tenders of larger projects which the parties may wish to pursue.

As disclosed in the announcements of the Company dated 25 January 2017, 7 February 2017, 15 March 2017 and 28 March 2017 and circulars of the Company dated 13 March 2017 and 28 April 2017, Milway and Top Genius acquired the 6563 Land Parcel and the 6564 Land Parcel respectively. It is expected that the Group will commence the construction and development of the 6563 Land Parcel and the 6564 Land Parcel in 2018. The Group may subcontract certain building and construction works and EM works of the 6563 Land Parcel and the 6564 Land Parcel to the Fung Group and the Fung Group may require the rental of tower cranes and provision of engineering works from the Group. In view of the aforesaid, the total estimated costs for subcontracting the potential building and construction works and EM works in respect of the 6563 Land Parcel and the 6564 Land Parcel would approximately amount to HK\$1,550 million and HK\$2,500 million in 2018 and 2019, respectively. The Annual Caps in respect of the building and construction works, EM works and rental and engineering works relating to tower cranes for the two years ended 31 December 2018 and 31 December 2019 are therefore substantially higher than the annual caps under the 2014 Master Agreement. At present, the Group anticipates that the construction and development of the 6563 Land Parcel and the 6564 Land Parcel will commence in 2018, however there may be unexpected delays or acceleration in commencing various components and stages of the construction and development works.

INTERNAL CONTROL

The Company has put in place internal control procedures to ensure that individual transactions under the New Master Agreement will be conducted in accordance with the terms of the New Master Agreement. In order to ensure that the terms provided by the Fung Group (as Appointee) in respect of the works to be subcontracted under the New Master Agreement are on normal terms or on terms no less favourable than those offered by independent third party, the Parties will follow the following proposed pricing policy.

- (a) In respect of foundation works and building and construction works, their pricing shall be determined primarily through a bidding process whereby the Appointor shall seek quotations from at least one independent third party

subcontractor. The Appointor shall make reference to the quotations from such independent third party and take into account industry data and market information when determining whether the price of the relevant works is the prevailing market rate. In determining the successful bidder in respect of such works, the Appointor shall also consider the potential bidder's ability to complete the relevant works according to schedules and its ability to meet the specification requirements.

- (b) In respect of EM works and rental and engineering works relating to tower cranes to be subcontracted under the Master Agreement, their pricing shall be determined primarily through a bidding process whereby the Appointor will invite the Appointee to submit quotation for the relevant works.
- (c) In the event that it is not reasonably practicable to go through the bidding process in circumstances where (i) only limited expertise is available in the market for the relevant works; (ii) the profit margin for the relevant works is low; (iii) the relevant works are required to be done urgently; (iv) the contract sum of the relevant works is HK\$3,000,000 or less; (v) the relevant services are supervisory and of general management in nature; or (vi) where no quotation is submitted by other third party despite an invitation for bidding having been sent, the Appointor may invite quotations from the Appointee alone. The pricing of works and/or services under (i) to (vi) above shall be determined on arm's length negotiations between the Appointor and the Appointee based on a combination of industry experience, similar works carried out in the past, and industry/market knowledge, to ensure that the prices and terms of such works and/or services are no less favorable than that offered by independent subcontractor for other similar projects.

Further, the operations department of the Group will keep track of the actual contract sum of subcontracting works under the New Master Agreement from time to time to ensure that the aggregate value of such contract sums will not exceed the Annual Caps. Prior to entering into individual transaction with member(s) of the Fung Group under the New Master Agreement, the parties will provide promptly details of such proposed transaction including the relevant agreement to the finance and accounts department and the company secretarial department of the Company for their review. The agreement in respect of such proposed transaction will not be executed unless and until the above departments of the Company have confirmed that the aggregate value of the contract sums (including the contract sum of the proposed transaction) under the New Master Agreement will not exceed the Annual Caps. If it is contemplated that the Annual Caps will be exceeded as a result of entering into the

proposed transaction, such transaction will not be entered into until after the Company has re-complied with the relevant requirements under the Listing Rules.

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

REASONS FOR AND BENEFITS OF THE NEW MASTER AGREEMENT AND THE CONTINUING CONNECTED TRANSACTIONS

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

Mr. Victor Fung is an executive Director and as at the date of this announcement, Tysan Building and Tysan Engineering (both of which are owned and controlled by Mr. Victor Fung and are part of the Fung Group) are principally engaged in building and construction works and EM works, respectively. If the Group were to secure contracts which included components for such building and construction or EM works, it may need to be sub-contracted out anyway. Conversely, certain members of the Group such as Tysan Foundation and its subsidiaries have expertise in foundation, piling and site investigation works, and Proficiency Equipment and its subsidiary own tower cranes and provide engineering services, which the Fung Group does not have its own internal expertise or resources. Where the Fung Group wins a tender where components of the work include foundation works and/or the use of tower cranes and relating to engineering services, it would have to sub-contract such works to outside parties anyway. The New Master Agreement allows the Group and the Fung Group to utilize the expertise of one another by way of subcontracting. This would maximize business activities and operations of the Group and would provide the Group with better competitive edge and control of the projects concerned. The joint efforts of the parties would also provide the clients concerned with a more comprehensive, coordinated and efficient service in the common interests of the Group and the Fung Group.

Since such subcontracting transactions between members of the Group and the Fung Group would continue on an ongoing basis, the New Master Agreement was entered into among the parties to regulate the business relationship and continuing transactions among them from time to time.

Furthermore, in view of the major infrastructure projects and land development projects being undertaken or planned and the market conditions in Hong Kong, the Directors take the view that it would be in the interests of the Company and the Shareholders for the New Master Agreement to be entered into to capture the business activities and operations of the Group and the Fung Group. Under the New Master Agreement, there is no obligation or commitment for the Group or the Fung Group to grant the sub-contract to the other party. Ultimately, the granting of the sub-contracts will be subject to the terms of the sub-contract, including but not limited to the price offered.

The Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the circular and Mr. Victor Fung who abstained from voting on the Board approval on the New Master Agreement) consider that the terms of the New Master Agreement, the Continuing Connected Transactions and the Annual Caps contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As Mr. Victor Fung is a party to the New Master Agreement, he has abstained from voting on the relevant resolution approving the New Master Agreement and the transactions contemplated thereunder at the relevant Board meeting.

The Directors (excluding Mr. Victor Fung who had abstained from voting on the Board approval of the New Master Agreement and the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the circular) consider that the New Master Agreement, and the Continuing Connected Transactions and the Annual Caps contemplated thereunder are and will be of the types that are entered into in the ordinary and usual course of business of the companies concerned within the Group and on a frequent and regular basis. Therefore, the Directors (excluding Mr. Victor Fung who had abstained from voting on the Board approval of the New Master Agreement and the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the circular) consider that it would be more appropriate and in the interest of business efficacy to set out in the New Master Agreement the principles governing such transactions and to obtain prior approval from the Independent Shareholders for such Continuing Connected Transaction, as required by the Listing Rules.

LISTING RULES IMPLICATIONS

Project Development Agreements

HIC and Denco are both non-wholly-owned subsidiaries of HNA Group, which in turn is the holding company of HNA Finance I, the controlling shareholder of the Company. HIC and Denco being associates of HNA Finance I are therefore connected persons of the Company under Chapter 14A of the Listing Rules. One or more of the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in relation to the Connected Transactions (on an aggregate basis) are more than 5% but less than 25%. However, as the Connected Transactions are transactions of a revenue nature in the ordinary and usual course of business of the Group, the Connected Transactions will not constitute notifiable transactions under Chapter 14 of the Listing Rules, but will constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As the aggregated estimated Remuneration payable by the Owners to Gainful is more than HK\$10,000,000, the Connected Transactions contemplated under each of the Project Development Agreements will therefore be subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

New Master Agreement

Mr. Victor Fung is an executive Director. As such, Mr. Victor Fung and companies owned or controlled by Mr. Victor Fung as to 30% or more are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. The transactions between members of the Group and members of the Fung Group under the New Master Agreement will therefore constitute continuing connected transactions for the Company. One or more of the applicable percentage ratios (other than the profits ratio) calculated in accordance with Chapter 14A of the Listing Rules in relation to the Annual Caps are more than 25% but less than 100%. However, as the Continuing Connected Transactions are transactions of a revenue nature in the ordinary and usual course of business of the Group, the Continuing Connected Transactions will not constitute notifiable transactions under Chapter 14 of the Listing Rules, but will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

OTHER INFORMATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee as at the date of this announcement, has been established to advise the Independent Shareholders as to whether the Project Development Agreements (including the Connected Transactions contemplated thereunder) and the New Master Agreement (including the Continuing Connected Transactions contemplated thereunder and the Annual Caps) are in the interests of the Company and the Shareholders as a whole, and whether they are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned. Somerley has been appointed by the Company (subject to the approval of the Independent Board Committee) as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Project Development Agreements (including the Connected Transactions contemplated thereunder) and the New Master Agreement (including the Continuing Connected Transactions contemplated thereunder and the Annual Caps).

In view of the interests of HNA Finance I in the Project Development Agreements, HNA Finance I and its associates shall abstain from voting in respect of the resolution relating to the Project Development Agreements and the Connected Transactions contemplated thereunder at the SGM.

To the best of the knowledge, information and beliefs of the Directors, no Shareholder or their associates has any material interest in the New Master Agreement and therefore no Shareholder is required under the Listing Rules to abstain from voting if the Company were to convene a general meeting for the approval of the New Master Agreement, the Continuing Connected Transactions, and the Annual Caps. Pursuant to Rule 14A.37 of the Listing Rules, the Company will obtain a written approval from HNA Finance I, which is as at the date of this announcement interested in 2,540,222,144 Shares, representing approximately 74.66% of the issued Shares, to approve the New Master Agreement, the Continuing Connected Transactions and the Annual Caps contemplated thereunder in lieu of holding a general meeting. The Company will apply to the Stock Exchange for a waiver pursuant to Rule 14A.37 of the Listing Rules, to accept the written approval from HNA Finance I in lieu of the requirement to hold a general meeting to consider the New Master Agreement, the Continuing Connected Transactions and the Annual Caps contemplated thereunder. Subject to the grant by the Stock Exchange of the waiver to accept written shareholder's approval in lieu of the requirement to hold a general meeting of the Company to approve the New Master Agreement, the

Continuing Connected Transactions and the Annual Caps, no general meeting of the Company will be held for this purpose. However, the SGM will be convened and held for the purpose of considering and, if thought fit, approving the Project Development Agreements and the Connected Transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Project Development Agreements; (ii) further details of the New Master Agreement; (iii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the SGM is expected to be despatched to Shareholders on or about 27 July 2017.

DEFINITIONS

“2014 Master Agreement”	the master agreement dated 3 November 2014 entered into between Tysan Foundation, Tysan Engineering, Proficiency Equipment and Tysan Building in respect of the subcontracting of works, whether in whole or in part, among them in the manner prescribed thereunder
“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 date of this announcement
“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 as at the date of this announcement
“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 as at the date of this announcement

“6565 Land Parcel”	the piece or parcel of ground registered in the Land Registry as New Kowloon Inland Lot No. 6565 together with the messuages erections and buildings thereon, which is held by HIC as at the date of this announcement
“6562 Project Development Agreement”	the project development agreement dated 6 July 2017 entered into between Denco as owner and Gainful as representative in relation to the development of the 6562 Land Parcel
“6565 Project Development Agreement”	the project development agreement dated 6 July 2017 entered into between HIC as owner and Gainful as representative in relation to the development of the 6565 Land Parcel
“Annual Caps”	the maximum aggregate value of the contract sum in respect of each category of works to be subcontracted under the New Master Agreement for each financial year concerned as set out in this announcement
“Appointee”	any member of the Group or the Fung Group which has been subcontracted by the Appointor in respect of the whole or any part or parts of the works that the Appointor has been awarded or appointed with
“Appointor”	any member of the Group or the Fung Group which has been awarded or appointed with a contract for works for which it may deem appropriate to subcontract the whole or any part or parts of such works to any members of the Group or the Fung Group
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Hong Kong International Construction Investment Management Group Co., Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Conditions of Sale”	the conditions of sale of the 6562 Land Parcel and the 6565 Land Parcel (as the case may be)

“connected person”	has the meaning ascribed to it under the Listing Rules
“Connected Transactions”	the non-exempt connected transactions contemplated under the Project Development Agreements
“Continuing Connected Transactions”	the non-exempt continuing connected transactions and their respective Annual Caps contemplated under the New Master Agreement
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Denco”	Denco Properties Limited, a company incorporated in Hong Kong with limited liability and a non-wholly-owned subsidiary of HNA Group
“Development”	the development of the 6562 Land Parcel and/or the 6565 Land Parcel by complying in all respects with the development conditions and all the other covenants of the conditions of sale in respect of the 6562 Land Parcel and/or the 6565 Land Parcel
“Director(s)”	the director(s) of the Company
“EM works”	electrical and mechanical engineering works
“Fung Group”	the companies owned or controlled by Mr. Victor Fung including but not limited to Tysan Building and Tysan Engineering
“Gainful”	Gainful Engineering Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HIC”	Hongkong Island Construction Properties Co., Limited, a company incorporated in Hong Kong with limited liability and a non-wholly-owned subsidiary of HNA Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HNA Group”	HNA Group Co., Ltd, a company incorporated in the PRC and the holding company of HNA Finance I

“HNA Finance I”	HNA Finance I Co., Ltd., a company incorporated in Anguilla with limited liability and an indirect subsidiary of HNA Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George and Mr. Li Kit Chee as at the date of this announcement
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	the Shareholders other than those Shareholders who have a material interest in the Connected Transactions and/or the Continuing Connected Transactions (as the case may be), if any
“Land Parcels”	the 6562 Land Parcel and the 6565 Land Parcel
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Milway”	Milway Development Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“Mr. Victor Fung”	Mr. Fung Chiu Chak, Victor, an Executive Director, the Vice-Chairman and Managing Director of the Company
“New Master Agreement”	the master agreement dated 6 July 2017 entered into between the Company (for itself 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 works, whether in whole or in part, among them in the Prescribed Manner

“Owner(s)”	(1) in relation to the 6562 Land Parcel and/or the 6562 Project Development Agreement, Denco; and (2) in relation to the 6562 Land Parcel and/or the 6565 Project Development Agreement, HIC;
“PRC”	the People’s Republic of China
“Proficiency Equipment”	Proficiency Equipment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Prescribed Manner”	(1) the subcontracting of foundation works by the members of the Fung Group to the members of the Group; or (2) the subcontracting of building and construction works by the members of the Group to the members of the Fung Group or vice versa; or (3) the subcontracting of EM works by the members of the Group to the members of the Fung Group; or (4) the subcontracting of rental of tower cranes and provision of engineering services by the members of the Fung Group to the members of the Group
“Project Development Agreements”	the 6562 Project Development Agreement and the 6565 Project Development Agreement
“Remuneration”	the remuneration payable by the Owners to Gainful under the Project Development Agreements
“SGM”	the special general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Project Development Agreements and the Connected Transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Top Genius”	Top Genius Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company
“Tysan Building”	Tysan Building Construction Company Limited, a company incorporated in Hong Kong with limited liability, a company owned as to 49% by Mr. Victor Fung and 51% by a company owned by Mr. Victor Fung
“Tysan Engineering”	Tysan Engineering (H.K.) Company Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Tysan Engineering Company Limited which is owned as to 78% by Mr. Victor Fung and 22% by Mr. Wong Kay, a member of senior management of the Company
“Tysan Foundation”	Tysan Foundation (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board
**HONG KONG INTERNATIONAL CONSTRUCTION
INVESTMENT MANAGEMENT GROUP CO., LIMITED**
Zhao Quan
Chairman

Hong Kong, 6 July 2017

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Quan, Mr. Fung Chiu Chak, Victor, Mr. Liu Junchun, Mr. Chiu Chin Hung, Mr. Lau Kin Fai, Mr. Fan Ning, Mr. Meng Yongtao and Mr. Wong Tai Lun Kenneth; 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