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

(Incorporated in Bermuda with limited liability)

(Stock Code: 687)

**MAJOR TRANSACTION
SUBSCRIPTION FOR CONVERTIBLE BONDS**

A letter from the board is set out on pages 4 to 15 of this circular.

The Company has obtained written approval for the Subscription pursuant to Rule 14.44 of the Listing Rules from the controlling Shareholder of the Company which holds more than 50% of the issued share capital of the Company giving the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be convened to approve the Subscription pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

24 July 2018

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DEFINITIONS

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

“2018 VSD Circular”	the Company’s circular dated 19 April 2018 in connection with a very substantial disposal in relation to the disposal of certain equity interest in a subsidiary and notice of special general meeting
“Board”	the board of Directors
“Class A Shares”	the Class A Shares in the share capital of the Issuer
“Closing”	closing of the issue and subscription of the Convertible Bonds pursuant to the Subscription Agreement
“Closing Date”	the date of the Closing to be agreed between the Issuer and the Subscriber following the fulfillment (or waiver) of the conditions precedent
“Company”	Hong Kong International Construction Investment Management Group Co., Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 687)
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Conversion Price”	the price at which the Conversion Shares will be issued upon Conversion, as adjusted from time to time, such that the entire Principal Amount will be converted into 95% of the issued and outstanding share capital of the Issuer, subject to adjustment
“Conversion Shares”	the Issuer’s Class A Shares to be allotted and issued by the Issuer upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the eight percent (8%) convertible bonds in the aggregate principal amount of HK\$800,000,000, due 2021, issued by the Issuer to the Subscriber at the Closing pursuant to the Subscription Agreement and subject to its underlying terms and conditions
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“HKA”	Hong Kong Airlines Limited, a limited liability company incorporated under the laws of Hong Kong, which as at the date of the Subscription Agreement and at the Latest Practicable Date, is the shareholder of HKAI and HKC
“HKAI”	HKA Investment Development Company Limited, a limited liability company incorporated under the laws of Hong Kong, which as at the date of the Subscription Agreement and at the Latest Practicable Date, is wholly-owned by HKA
“HKC”	Hong Kong Air Cargo Carrier Limited, a limited liability company incorporated under the laws of Hong Kong, which as at the date of the Subscription Agreement and at the Latest Practicable Date, is a subsidiary of HKA and the sole shareholder of the Issuer
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issuer”	Holistic Capital Investment Limited (company registration number 1930859), a company with limited liability incorporated under the laws of British Virgin Islands, which as at the date of the Subscription Agreement and at the Latest Practicable Date, is indirectly wholly-owned by HKA
“Latest Practicable Date”	20 July 2018, being the latest practicable date prior to the printing of this circular for ascertaining information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	the People’s Republic of China, for the purpose of this circular, not including Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Principal Amount”	the outstanding principal amount of the Convertible Bonds from time to time (excluding any other sums due but unpaid thereon)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	HKICIM Fund VI, L.P., an exempted limited partnership registered in the Cayman Islands, the investment vehicle of the Company for the Subscription. The Company indirectly holds the entire partnership interest in the Subscriber as at the date of the Subscription Agreement and at the Latest Practicable Date
“Subscriber Director”	the director nominated and appointed by the Subscriber to the board of directors of the Issuer
“Subscription”	the subscription for the Convertible Bonds by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the agreement dated 13 June 2018 and entered into between the Issuer and the Subscriber in relation to the subscription and issue of the Convertible Bonds
“subsidiaries”	has the meaning ascribed to it by the Listing Rules
“%”	per cent
“*”	the English names of the PRC entities referred to in this circular are translations from their Chinese names and are for identification purposes only, if there is any inconsistency, the Chinese name 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. MUNG Kin Keung (*Vice Chairman*)
Mr. FUNG Chiu Chak, Victor (*Vice Chairman*)
Mr. LIU Junchun (*Vice Chairman*)
Mr. MU Xianyi (*Chief Executive Officer*)
Mr. LI Xiaoming
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:

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of Business in Hong Kong:
20th Floor
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24 July 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION SUBSCRIPTION FOR CONVERTIBLE BONDS

INTRODUCTION

Reference is made to the announcement of the Company dated 13 June 2018 (after trading hours) in relation to the major transaction involving the Subscription.

LETTER FROM THE BOARD

On 13 June 2018 (after trading hours), the Subscriber and the Issuer entered into the Subscription Agreement, pursuant to which the Issuer has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds which may be converted into the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds, in the principal amount of HK\$800 million.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Subscription Agreement and the transactions contemplated under it and (ii) financial information of the Group.

THE SUBSCRIPTION AGREEMENT

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

Date:

13 June 2018 (after trading hours)

Parties:

- (1) Subscriber as the subscriber; and
- (2) Issuer as the issuer.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries and as at the Latest Practicable Date, the Issuer and the Issuer's ultimate beneficial owners (other than Mr. Mung Kin Keung who directly and indirectly holds an aggregate of approximately 0.5% indirect interest in the Issuer) are third parties independent from the Company and its connected persons. As at the Latest Practicable Date, each of Mr. Mung Kin Keung, Mr. Tang King Shing and Mr. Tang Kit are directors of both the Company and HKA (which indirectly owns all of the outstanding share capital of the Issuer). As a result, each of Mr. Mung Kin Keung, Mr. Tang King Shing and Mr. Tang Kit would have to abstain from voting at any Board meetings in connection with the Subscription and the transactions contemplated thereunder. Accordingly, Mr. Tang King Shing has abstained from voting at the Board meeting held on 12 June 2018 with respect to the approval of the Subscription and the transactions contemplated thereunder, whilst Mr. Mung Kin Keung and Mr. Tang Kit did not attend (hence did not vote at) the Board meeting held on 12 June 2018.

Subject matter

Pursuant to the Subscription Agreement, the Issuer has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds, which may be converted into the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds, in the principal amount of HK\$800 million.

LETTER FROM THE BOARD

The Issuer shall apply the proceeds from the Subscription for the purpose of funding a potential equity investment in one of the world's leading air cargo terminal operator (the "**Potential Investment**") or for other capital expenditure.

Consideration

The consideration payable for the Subscription is HK\$800 million, being the principal amount of the Convertible Bonds. The consideration will be satisfied by internal resources of the Group.

As disclosed in the 2018 VSD Circular relating to, among other things, a very substantial disposal by the Company of the equity interest in a subsidiary (the "**Disposal**"), after deducting the repayment of certain bank borrowings and trade and retention and other payables of the Target Group (as defined in the 2018 VSD Circular) and the related transaction costs and expenses associated with the Disposal, a net cash proceeds of approximately HK\$4.7 billion was received by the Company as a result of the completion of the Disposal on 16 May 2018. As at 31 May 2018, the Group has cash and cash equivalents (excluding those of disposal groups classified as held-for-sale) of approximately HK\$7 billion. In light of the foregoing, the Company confirms that it has sufficient internal resources to satisfy the subscription price for the Convertible Bonds under the Subscription Agreement (which is HK\$800 million).

Conditions precedent

Closing is subject to and conditional upon, amongst other:

- (a) the representations and warranties of the Issuer contained in the Subscription Agreement being true, correct, accurate, complete and not misleading during the period beginning on the date of the Subscription Agreement and ending on the Closing Date;
- (b) the Issuer, HKA, HKAI and HKC having performed and complied with all agreements, obligations, and conditions contained in the Subscription Agreement and other ancillary transaction documents that are required to be performed or complied with on or before Closing Date;
- (c) no material adverse effect having occurred with respect to the Issuer, HKA, HKAI and HKC since the date of the Subscription Agreement;
- (d) there being no governmental authority or person that has (i) instituted or threatened any legal, arbitral or administrative proceedings or inquiry against the Issuer, HKA, HKAI or HKC to restrain, prohibit or otherwise challenge the subscription of the Convertible Bonds or any other transaction contemplated under any ancillary transaction documents, or requested any information in connection with the possible institution of any such proceedings or inquiry; or (ii) proposed or enacted any statute or regulation which would prohibit, materially restrict, impact or delay implementation of the transactions contemplated under any ancillary transaction documents, or the operation of any of the Issuer and its subsidiaries;

LETTER FROM THE BOARD

- (e) each of the ancillary transaction documents having been duly executed and delivered to the Subscriber;
- (f) the Issuer, HKA, HKAI and HKC having obtained all applicable authorizations, approvals, consents, waivers and permits of any person or governmental authority and duly attended to and carried out all corporate procedures necessary for execution, delivery, performance and the consummation of all the transactions contemplated under the Subscription Agreement and other ancillary transaction documents; and all such authorizations, approvals, consents, waivers and permits shall be effective as of the Closing; and having provided copies of all resolutions (and all attachments thereto) authorizing the execution, delivery and the performance by the Issuer of the Subscription Agreement and other ancillary transaction documents and the underlying transactions contemplated therein;
- (g) the Subscriber having completed to its reasonable satisfaction commercial, financial, tax, legal, insurance and environmental due diligence on the Issuer and other relevant parties in connection with the Subscription and the transactions contemplated therein;
- (h) the Subscriber having complied with all necessary requirements under the Listing Rules that are required to be performed prior to the Closing, including obtaining shareholders' approval as required under the Listing Rules;
- (i) the Issuer having delivered to the Subscriber an indemnification agreement between the Issuer and the Subscriber Director in respect of such director's liability as a director of the Issuer, in form and substance reasonably satisfactory to the Subscriber;
- (j) the representations and warranties of the Subscriber contained in the Subscription Agreement being true, complete, accurate, and not misleading during the period beginning on the date of the Subscription Agreement and ending on the Closing Date;
- (k) the Subscriber having delivered to the Issuer counterpart signatures to the other ancillary transaction documents in connection with the Subscription and a letter of consent to act as a director of the Issuer from the Subscriber Director in respect of his appointment; and
- (l) the Subscriber having performed and complied with all its covenants, agreements and obligations contained in the Subscription Agreement or any other ancillary transaction documents to which it is a party that are required to be performed or complied with on or before Closing Date;

provided that any one or more of the conditions (a) to (i) may be waived by the Subscriber in its sole discretion and any one or more of the conditions (j) to (l) may be waived by the Issuer in its sole discretion.

LETTER FROM THE BOARD

Closing

The Company confirms that Closing has taken place on 30 June 2018, and as at Closing, all of the conditions precedent have been fulfilled save that the parties to the Subscription Agreement have agreed to (i) adopt the amended and restated memorandum and articles of association of the Issuer after Closing (relating to condition (e) of the conditions precedent), and (ii) waive the requirement of entering into a separate indemnification agreement on the basis that the existing and valid directors' and officers' indemnification and insurance policy would have covered the Subscriber Director's liability as a director of the Issuer (relating to condition (i) of the conditions precedent).

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Issuer:	The Issuer.
Principal Amount:	HK\$800 million.
Issue Price:	100% of the principal amount of the Convertible Bonds.
Coupon Rate:	The Convertible Bonds shall bear interest from and including the date of issue of the Convertible Bonds until the maturity date of the Convertible Bonds at the rate of eight percent (8%) per annum, payable annually in arrears on each anniversary date of the date of issue of the Convertible Bonds (if prior to redemption or Conversion) and for the last payment on the date of redemption or Conversion.
Form and Denomination:	The Convertible Bonds are issued in registered form in the denomination of HK\$100,000,000 each and integral multiples of HK\$1,000 in excess thereof.
Maturity Date:	3 years following the date of issue of the Convertible Bonds.
Conversion:	Holder of the Convertible Bonds may, at its options, at any time prior to the maturity date of the Convertible Bonds exercise the conversion right attaching to the Convertible Bonds that can be exercised to convert all or any of its Convertible Bonds into Conversion Shares (the " Conversion "). The Subscriber will assess the financial condition and performance of the Issuer group (including the Potential Investment upon its consummation) before deciding whether to exercise the conversion right.
Conversion Price:	The price at which the Conversion Shares will be issued upon Conversion, as adjusted from time to time, such that the entire Principal Amount will be converted into 95% of the issued and outstanding share capital of the Issuer, subject to adjustment events disclosed in the section headed "Adjustments to the Conversion Price" below.

LETTER FROM THE BOARD

The percentage of the Conversion Shares (being 95% of the outstanding share capital of the Issuer upon the full conversion), is primarily determined on an arm's length basis between the parties to the Subscription Agreement with references to (i) the relative commitment to the net asset value of the Issuer by the Subscriber and the shareholder of the Issuer (assuming the full exercise of the conversion right in respect of the Convertible Bonds by the Subscriber and the completion of the equity injection by the shareholder of the Issuer to the Issuer), (ii) the costs and expenses incurred (and continue to be incurred) by HKA and its affiliates in identifying, negotiating and liaising with the other parties in connection with the Potential Investment, and (iii) the time and non-monetary resources (such as human resources) expected to be committed by the relevant parties upon the completion of the Potential Investment.

Adjustments to the Conversion Price:

The Conversion Price will be subject to adjustment in the following events:

- (i) adjustment for subdivision, consolidation or reclassification of the Issuer's shares; and
- (ii) adjustments to conversion price for dilutive issuance.

Conversion Shares

(1) Dividend Entitlement

Upon conversion of the Convertible Bonds, each holder of the Conversion Shares shall be entitled to receive dividends at a simple rate of eight percent (8%) of the Conversion Price per annum (the "**Preferential Dividend**"), payable out of funds or assets when and as such funds or assets become legally available. Such dividends shall be payable only when, as, and if declared by the board of directors of the Issuer and if not declared, shall be cumulative.

(2) Liquidation Preference

Upon the occurrence of any liquidation event of the Issuer and before any distribution or payment shall be made to the holders of any other share capital of the Issuer, each holder of the Conversion Shares shall be entitled to receive an amount equal to one hundred percent (100%) of the Conversion Price with respect to each Conversion Share, plus all unpaid Preferential Dividend thereon. If, upon any such liquidation, the assets of the Issuer shall be insufficient to make payment of the foregoing amounts in full on all the Conversion Shares, then such assets shall be distributed among the holders of the Conversion Shares ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

LETTER FROM THE BOARD

Upon the full payment of the liquidation preference amount on all applicable share capital of the Issuer, any remaining funds or assets of the Issuer legally available for distribution to shareholders of the Issuer shall be distributed ratably among all shareholders on an as-converted basis.

Redemption:

(1) Redemption at maturity

Unless previously redeemed, converted, purchased or cancelled, the Issuer will redeem all of the Convertible Bonds on the maturity date of the Convertible Bonds at their Principal Amount together with accrued but unpaid interest (including any default interest, as applicable).

(2) Early redemption

Unless previously redeemed, converted, purchased or cancelled, and if the Potential Investment has not been consummated on or prior to December 31, 2018 or if certain conditions in relation to the Potential Investment has not been performed within nine (9) months following the consummation of the Potential Investment, at the request of the Subscriber thereafter, the Issuer will redeem any or all of the Convertible Bonds at their Principal Amount together with accrued but unpaid interest (including any default interest, as applicable).

Default Interest:

From and after the occurrence, and during the continuance, of an event of default, an additional interest shall accrue on any outstanding Principal Amount at a rate of five percent (5%) per annum up to but excluding the date on which such event of default is subsequently cured to the reasonable satisfaction of the Subscriber. In addition, if an event of default occurs and is continuing, the Subscriber may give written notice to the Issuer that the Convertible Bonds are, and shall immediately become, due and redeemable, and the Issuer shall redeem all the Convertible Bonds at the Principal Amount plus all accrued and unpaid interest (including any default interest as applicable).

Transferability:

Subject to the terms and conditions of the Convertible Bonds, transfer of the Convertible Bonds can be made by the holders of the Convertible Bonds.

Status:

The Convertible Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves.

LETTER FROM THE BOARD

DEED OF GUARANTEE

At the same time when the Subscription Agreement was entered, HKA and HKC (collectively the “**Guarantors**”) entered into a deed of guarantee in favour of the Subscriber, under which they, among other things, jointly and severally, irrevocably and unconditionally,

- (a) guarantee to the Subscriber the due performance by each of the Issuer, HKAI and the Guarantors (collectively, the “**Obligors**”) of their respective obligations (“**Guaranteed Obligations**”), which include among other things, all outstanding Principal Amount of, and all other amounts owing under, the Convertible Bonds;
- (b) undertake with the Subscriber that whenever any Obligor defaults on the due payment of any Guaranteed Obligation, each Guarantor shall immediately on demand pay that amount to the Subscriber as if it was the principal obligor; and
- (c) agree with the Subscriber that if any Guaranteed Obligation is or becomes unenforceable, invalid or illegal, they will, as a separate, independent and primary obligation, indemnify the Subscriber immediately on demand against any cost, loss or liability incurred as a result of any Obligor not paying any amount of the Guaranteed Obligations on the date when it would have been due or performing any Guaranteed Obligations on the date and in the manner specified in the Subscription Agreement and any other ancillary transaction documents.

In order to satisfy itself of the Guarantors’ ability to, among other things, guarantee the due performance of the Obligors of their respective Guaranteed Obligations, the Group conducted due diligence on the Guarantors with particular focus on their financial positions, which include: (i) reviewing their financial reports and (ii) engaging in discussion with the senior management to understand the Guarantors’ management structure, short-term and long-term business plans, cash flow projections and financial and trading prospects. From the due diligence conducted, the Board is not aware of any issue that would affect the Guarantors’ ability to comply with their Guaranteed Obligations under the deed of guarantee.

INFORMATION ON THE COMPANY, THE ISSUER, HKA, HKAI AND HKC

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, property investment and management and asset management.

LETTER FROM THE BOARD

The Issuer is an investment holding company that is principally engaged in making equity investments. The Issuer intends to use the proceeds of the issue of the Convertible Bonds to fund a potential equity investment in one of the world's leading air cargo terminal operator (*i.e.* the Potential Investment) or for other capital expenditure. To the best of the Directors' knowledge, information and belief, the Issuer does not hold any other substantive assets or investments. As at the Latest Practicable Date, the Issuer is a wholly-owned subsidiary of HKC¹, which is in turn wholly-owned by HKA.

HKA is a full-service airline company providing ground operation to inflight service. As at the Latest Practicable Date, it is the shareholder of HKAI and HKC.

HKAI is an investment holding company that is principally engaged in making equity investments. As at the Latest Practicable Date, it is wholly-owned by HKA.

HKC is an all-cargo airline based in Hong Kong providing international public air freight transportation service. As at the Latest Practicable Date, it is a subsidiary of HKA and the sole shareholder of the Issuer¹.

FINANCIAL EFFECTS OF THE SUBSCRIPTION

Effect on assets and liabilities of the Group

As disclosed in the Company's published annual report for the year ended 31 December 2017, the audited total assets and total liabilities of the Group were approximately HK\$19,769,192,000 and HK\$7,551,191,000 respectively as at 31 December 2017. The unaudited pro forma consolidated statement of assets and liabilities of the Group is prepared as if the Subscription had been completed on 31 December 2017.

As set out in the unaudited pro forma financial information of the Group in Appendix II to this circular, the Subscription will not have a material impact on the total assets and total liabilities of the Group as at 31 December 2017.

Effect on earnings of the Group

As disclosed in the Company's published annual report for the year ended 31 December 2017, the Group recorded the audited consolidated profit attributable to shareholders of approximately HK\$5,433,000. Assuming the Subscription had been completed on 31 December 2017, it is expected

¹ As at the date of the Subscription Agreement, the Issuer was a wholly-owned subsidiary of HKAI. Due to internal restructuring which took place on 1 July 2018, the Issuer is as at the Latest Practicable Date wholly-owned by HKC, which is in turn wholly-owned by HKA as is HKAI.

LETTER FROM THE BOARD

that the earnings of the Group would be impacted as follows:

- (i) the actual interest income from the Convertible Bonds over the conversion period, in which the Convertible Bonds shall bear interest at 8% per annum on the outstanding principal amount of the Convertible Bonds from the Closing Date to (but excluding) the maturity date of the Convertible Bonds; and
- (ii) the fair value change, if any, on the Convertible Bonds over the conversion period, which will be calculated with reference to the independent valuation report in future.

REASONS AND BENEFITS OF THE SUBSCRIPTION

The Group has been actively looking for other business opportunities that will enhance the income stream of the Group. The Issuer and this investment opportunity were introduced to the Group through a business acquaintance of the Group earlier this year. After conducting the relevant due diligence as noted in the paragraphs below, the Board believes that the fixed interest income generated from the Subscription will bring a stable source of cash flow to the Group. In addition, it is expected that the Subscription will help the Group build up business connections with the Issuer and HKA.

Although completion of the Potential Investment is still subject to certain conditions and the Potential Investment may or may not proceed, the Board is of the view that the Subscription is in the interest of the Shareholders as a whole. Notwithstanding the completion of the Potential Investment, the fixed coupon rate of eight percent (8%) of the Convertible Bonds will, as aforementioned, bring a stable source of cash flow to the Group. In the event where the Potential Investment is completed, the Issuer will have a direct equity interest in the target company of the Potential Investment (the “**Target Company**”).

The Group has no confirmed plan to exercise the Conversion as at the Latest Practicable Date. From the due diligence conducted by the Group on the Target Company which includes, among other things, the review of certain financial and legal due diligence report prepared by third party professionals, the Group noted that the Target Company had historically no reported debt financing and had maintained a high payout dividend policy. The Group had also conducted discussions with the management of the Issuer and the Target Company to understand the Target Company’s short-term and long-term business plans, financial and trading prospects and some of its existing collaboration with its current business partners. Taking into account all the information provided, the Board is of the view that in the event where the Potential Investment is completed, the Issuer will have a direct equity interest in the Target Company which has a healthy balance sheet with strong net assets, and a business which generates a stable recurring income to its shareholders in the form of dividends.

Therefore, despite the Group having no confirmed plan to exercise the Conversion as at the Latest Practicable Date, the Board is of the view that the Subscription (in particular, the right to convert all or any of its Convertible Bonds into the Conversion Shares pursuant to the terms of the Convertible Bonds) will allow the Group to retain potential investment upside in the Target Company in the future. The Company confirms that the Conversion is subject to the Company complying with

LETTER FROM THE BOARD

the applicable Listing Rules, including announcement, circular and shareholders' approval to the extent applicable. In the event the Company intends to exercise Conversion, the Company undertakes to re-comply with the applicable Listing Rules, including obtaining any requisite Shareholders' approval, as applicable.

The terms of the Subscription were negotiated on an arm's length basis between the Issuer and the Subscriber. Taking into account the results of the Company's due diligence on the Issuer, the Guarantors and the Target Company, the stable interest income generated from the Convertible Bonds, and the reasons for and the benefits from the Subscription and the potential investment upside of the Convertible Bonds set out above, the Board is of the opinion that the consideration, the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

The Company is constantly exploring good investment and other business opportunities in order to make best use of its financial resources so as to maximize returns and create values for its shareholders. Taking into account the cash generated from the Disposal and the liquidity position of the Group, apart from the Subscription, the Group is considering a few other opportunities. As disclosed under the section headed "Use of Proceeds by the Group" in the 2018 VSD Circular, the Company may, subject to actual circumstances and available opportunities, apply the net proceeds of the Disposal in, among other manners disclosed therein, investing into warehousing logistics-related and commercial-related real estate projects in Hong Kong, Singapore and other countries, as identified from time to time, in line with the "Belt and Road Initiative" of the PRC. Further announcement(s) will be made by the Company in relation to any materialized opportunities in accordance with the applicable requirements of the Listing Rules as and when appropriate.

LISTING RULES IMPLICATIONS

The Subscription constitutes a major transaction for the Company under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios are more than 25% but are less than 100%. Accordingly, the Subscription is subject to announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Any Shareholder with a material interest in the Subscription and his/her/its close associate(s) (as defined in the Listing Rules) are required to abstain from voting on the resolution approving the Subscription in accordance with the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries and as at the Latest Practicable Date, the Issuer and the Issuer's ultimate beneficial owners (other than Mr. Mung Kin Keung who directly and indirectly holds an aggregate of approximately 0.5% indirect interest in the Issuer) are third parties independent from the Company and its connected persons. As at the Latest Practicable Date, each of Mr. Mung Kin Keung, Mr. Tang King Shing and Mr. Tang Kit are directors of both the Company and HKA (which indirectly owns all of the outstanding share capital of the Issuer). As a result, each of Mr. Mung Kin Keung, Mr. Tang King Shing and Mr. Tang Kit would have to abstain from voting at any Board meetings in connection with the Subscription and the transactions contemplated thereunder. Accordingly, Mr. Tang King Shing has abstained from voting at the Board meeting held on 12 June 2018 with respect to the approval of the Subscription and the transactions contemplated thereunder,

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whilst Mr. Mung Kin Keung and Mr. Tang Kit did not attend (hence did not vote at) the Board meeting held on 12 June 2018. Save as disclosed above, no other Director had a material interest in the Subscription and no other Director had abstained from voting on the relevant board resolutions of the Company.

Since no Shareholder is required to abstain from voting if the Company were to convene a special general meeting for the approval of the Subscription, and the Company has obtained a written approval for the Subscription from HNA Finance I Co., Ltd. (the controlling shareholder of the Company holding 2,540,222,144 ordinary shares of the Company, representing approximately 74.66% of the issued share capital of the Company as at the Latest Practicable Date), a special general meeting of the Company to approve the Subscription is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened.

The Conversion is subject to the Company complying with the applicable Listing Rules, including announcement, circular and shareholders' approval to the extent applicable. In the event the Company intends to exercise Conversion, the Company undertakes to re-comply with the applicable Listing Rules, including obtaining any requisite Shareholders' approval, as applicable.

RECOMMENDATION

The Directors (excluding Mr. Mung Kin Keung, Mr. Tang King Shing and Mr. Tang Kit who have abstained from voting on the relevant board resolutions of the Company) are of the view that the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding Mr. Mung Kin Keung, Mr. Tang King Shing and Mr. Tang Kit who have abstained from voting on the relevant board resolutions of the Company) recommend that the Shareholders vote in favour of the of the resolution if the Company were to convene a general meeting to approve the Subscription Agreement and the transactions contemplated therein.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

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

1. FINANCIAL SUMMARY OF THE GROUP

Financial information of the Group for each of years ended 31 March 2015 and 2016, the period from 1 April 2016 to 31 December 2016 and the year ended 31 December 2017 is disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.hkicimgroup.com>):

- (i) annual report of the Company for the year ended 31 March 2015 published on 30 June 2015 (pages 53 to 187), which can be accessed via the link at:

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0630/LTN20150630161.pdf>);

- (ii) annual report of the Company for the year ended 31 March 2016 published on 19 July 2016 (pages 65 to 188), which can be accessed via the link at:

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0719/LTN20160719009.pdf>);

- (iii) annual report of the Company for the 9 month period ended 31 December 2016 published on 30 March 2017 (pages 52 to 205), which can be accessed via the link at:

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0330/LTN20170330141.pdf>);
and

- (iv) annual report of the Company for the year ended 31 December 2017 published on 19 April 2018 (pages 73 to 244), which can be accessed via the link at:

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0419/LTN201804191307.pdf>).

2. STATEMENT OF INDEBTEDNESS

As at 31 May 2018, being the latest practicable date for the purpose of preparation of this statement prior to the publication of this circular, the Group had unaudited bank borrowings and other borrowings amounting to approximately HK\$3,278,281,000 and HK\$957,500,000, respectively, details of which are as follows:

	HK\$'000
Bank borrowings	
<i>Current</i>	
Bank loans, secured	3,205,334
Instalment loan, secured	3,981
	<u>3,209,315</u>
<i>Non-current</i>	
Instalment loan, secured	68,966
Total	<u><u>3,278,281</u></u>

	HK\$'000
Other borrowings	
<i>Current</i>	
Loan from a related company	176,674
<i>Non-current</i>	
Loan from a related company	184,035
Guaranteed notes	296,791
Other loan	300,000
	<u>780,826</u>
Total	<u>957,500</u>

As at 31 May 2018, out of the secured bank loans of approximately HK\$3,278,281,000, HK\$2,976,334,000 was secured by the Group's properties under development located at the 6563 Land Parcel with a carrying amount of approximately HK\$7,702,516,000 and all the issued shares of Milway Development Limited ("Milway"), floating charge on bank balances of approximately HK\$1,946,000 and other assets of approximately HK\$119,000, and were supported by corporate guarantee from the Company.

As at 31 May 2018, the Group's secured bank loan of HK\$229,000,000 and a secured instalment loan of HK\$72,947,000 were secured by the Group's office premises with a gross floor area of 29,526 sq.ft located at 20th floor, One Island South, Wong Chuk Hang, Hong Kong with a carrying amount of approximately HK\$158,042,000 and were supported by corporate guarantee from the Company.

As at 31 May 2018, the current loan from Tysan Property Development (Tianjin) Co., Ltd., a related company, was unsecured, bore interest at 110% of interest rate published by PBOC and repayable on 21 December 2018, and the non-current loan from Tysan Land (Shanghai) Limited, a related company, was unsecured, bore interest at interest rate published by PBOC and repayable on 29 September 2020. Both loans from the related companies are classified as "liabilities directly associated with the assets classified as held for sale" under current liabilities in the Group's consolidated statement of financial position.

As at 31 May 2018, the Group's guaranteed notes and other loans were supported by corporate guarantees from the Company.

Out of the total current secured bank loans of approximately HK\$3,205,334,000, HK\$229,000,000 will mature on 14 March 2019 and approximately HK\$2,976,334,000 were fully repaid on 7 June 2018. As at 31 May 2018, the interest payables relating to such bank loans were approximately HK\$260,000 and HK\$3,366,000, respectively.

Interest rates of bank borrowings range from HIBOR plus 1.3% to HIBOR plus 1.5% per annum. Interest rates of guaranteed notes and other loan are 7% per annum and HIBOR plus 4.75% per annum, respectively.

The Group's gearing ratio, calculated on the basis of total bank borrowings and guaranteed notes divided by Shareholders' equity, was 13% as at 31 March 2015, 31% as at 31 March 2016, 16.1% as at 31 December 2016 and 50.5% as at 31 December 2017.

The Group continues to adopt a prudent financial policy and sustain a sound capital structure with healthy cashflow. The Group's bank borrowings were primarily denominated in Hong Kong dollars. Currency exposure has been monitored and forward contracts will be considered as required.

3. CONTINGENT LIABILITIES

As at 31 May 2018:

- (a) the Group provided guarantees to certain banks in respect of performance bonds granted to certain subsidiaries of approximately HK\$323,419,000;
- (b) the Group provided guarantees in respect of mortgage 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 approximately HK\$17,213,000;
- (c) the Company provided guarantees to holders of the guaranteed medium term notes issued by a subsidiary of the Company in an aggregate amount of HK\$305,000,000;
- (d) the Company provided guarantees to an independent third party in connection with the other loan granted to a subsidiary of the Company in an amount of HK\$300,000,000; and
- (e) the Company provided guarantees to certain banks in connection with bank loans and general credit facilities granted to its certain subsidiaries in an aggregate amount of approximately HK\$3,755,662,000.

4. DISCLAIMER

Save as disclosed above and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, debt securities, charges or loans or hire purchase commitments, guarantees or other contingent liabilities as at 31 May 2018.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

The Company will continue to pursue the core objective of creating maximized value for shareholders. While continuing to consolidate the development of existing principal businesses, in order to realize the transformational development of the Company, and to strike a balance between risk and revenue to achieve the long-term development objective of the Company. The development strategies of the Group are set out below:

Capitalised terms used but not defined in this paragraph headed "Financial and Trading Prospects of the Group" shall have the same meanings as those ascribed in the 2018 VSD Circular.

Foundation Piling

Regarding the foundation piling and construction business, competition is expected to remain keen in the near future due to the growing number of market players and reduced available projects. Profit margins as a whole have been negatively affected given market factors such as labour shortages, rising operating costs and intensification of competition, causing an impact on segment results for the foundation piling business of the Group. This trend is expected to affect the Group's performance for the financial year ending 31 December 2018.

As at the Latest Practicable Date, the Group had 17 foundation piling projects on hand. The Company will continue to reinforce development in the foundation piling business. While constantly maintaining our industry leading position in the Hong Kong and Macau markets, the Company will further enhance its influence in the industry and contribute to the long-term development of the Company. As at the Latest Practicable Date, the Company has no intention to materially change its current foundation piling business.

Property Development and Investment

In relation to property development business, the Company will continue to enhance the efficiency level, seek different mix of its property development portfolio, to go along with the macro environment, focus on the property development opportunities in the Guangdong-Hong Kong-Macau Greater Bay Area and the key areas of The Belt and Road Initiative, channel our efforts to develop the EPC business, and adopt the light asset and heavy branding model to attract capital from qualified investors for joint participation in the property development business.

As at the Latest Practicable Date, the Company does not have interest in any property development projects in Hong Kong save as the project in the Kai Tak area, New Kowloon Inland Lot No. 6563, the general building plan of which was approved on 19 January 2018. The development in the 6563 Land Parcel commenced in mid October 2017 and is expected to be completed by mid 2022. As at the Latest Practicable Date, the Company has no intention to dispose of its interest in the 6563 Land Parcel and has taken steps to finance and/or refinance the construction costs for its development in accordance with the government grant pertaining thereto as set out in the announcement of the Company dated 6 June 2018. The Company is positive about the prospects of the 6563 Land Parcel due to the future transportation network, neighbourhood and location of the 6563 Land Parcel, accessibility and proximity to the proposed Kai Tak MTR station, future business prospects and development potential of various sports and leisure infrastructure facilities to be built in the region in which the 6563 Land Parcel is situated.

The Company disposed of its interest in the property development projects in Shanghai and Tianjin in April 2018 and it is expected that the disposal of the Group's property development project in Shenyang will be completed by the third quarter of 2018. Please refer to the Company's announcements dated 13 November 2017, 4 December 2017 and 27 December 2017, and circular dated 7 December 2017 for details. As at the Latest Practicable Date, the Company does not have any property development projects other than the foregoing and has no plan to increase the number of property development project it is interested in. As at the Latest Practicable Date, the Company has no intention to downsize its property investment business.

Real Estate Investment and Asset Management

The Company intends to develop real estate investment and asset management business that focuses on investment opportunities in the areas of, inter alia, logistics, warehousing and commercial to create an investment portfolio with stable cash flow and value appreciation potential to realize the transformational development of the Company.

6. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account (i) the Group's internal resources and (ii) the loan facilities presently available to the Group, the Group has sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this circular.

7. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2017, being the date of which the latest published audited financial statements of the Company have been made up to.

8. EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, employed approximately 808 employees as at 30 June 2018. 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.

**A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular in respect of the unaudited pro forma financial information of the Group.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

**To the Directors of Hong Kong International Construction Investment Management Group Co.,
Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hong Kong International Construction Investment Management Group Co., Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited consolidated pro forma assets and liabilities of the Group as at 31 December 2017 and related notes as set out in Appendix II of the circular dated 24 July 2018 (the “**Circular**”) issued by the Company (the “**Unaudited Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the subscription of the 8% convertible bonds in an aggregate principal amount of HK\$800,000,000 (the “**Subscription**”) on the Group’s consolidated financial position as at 31 December 2017 as if the Subscription had taken place as at 31 December 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 December 2017, on which an annual report has been published.

Directors’ responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on *Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Subscription on the unadjusted financial information of the Group as if the Subscription had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Subscription would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Subscription, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the Subscription in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

24 July 2018

B. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Pursuant to a subscription agreement entered into between HKICIM Fund VI, L.P. (“Fund VI”) and Holistic Capital Investment Limited (“Holistic”) on 13 June 2018 of which Holistic has conditionally agreed to issue and Fund VI has conditionally agreed to subscribe for the convertible bonds of an aggregate principal amount of HK\$800,000,000 (the “Subscription”).

The accompanying illustrative unaudited pro forma consolidated statement of assets and liabilities of the Hong Kong International Construction Investment Management Group Co., Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) (“Unaudited Pro Forma Financial Information”) has been prepared in accordance with Rule 4.29 and Rule 14.67(6)(b)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the Subscription to the financial position of the Group as if the Subscription had been completed on 31 December 2017. Details of the Subscription are set out in the section headed “Letter from the Board” contained in this circular.

The Unaudited Pro Forma Financial Information of the Group has been prepared by the directors of the Company (the “Directors”) based upon the consolidated statement of financial position of the Group as at 31 December 2017 which has been extracted from the published annual report of the Company for the year ended 31 December 2017; and adjusted on a pro forma basis to reflect the effect of the Subscription. These pro forma adjustments are (i) directly attributable to the Subscription and not relating to other future events and decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information of the Group has been prepared by the Directors for illustrative purposes only and is based on their judgements, estimations and assumptions. Accordingly, because of its hypothetical nature, it does not purport to give a true picture of the financial position of the Group that would have been attained had the Subscription been completed as at 31 December 2017 nor does it purport to predict the financial position of the Group at any future dates.

C. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. Unaudited pro forma consolidated statement of assets and liabilities

	The Group At 31 December 2017 <i>HK\$'000</i> <i>(Audited)</i> <i>Note (a)</i>	Pro forma adjustment <i>HK\$'000</i> <i>(Unaudited)</i> <i>Note (b)</i>	Total for the Group At 31 December 2017 <i>HK\$'000</i> <i>(Unaudited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	244,120	—	244,120
Prepayments, deposits and other receivables	899	—	899
Interests in an associate	—	—	—
Other assets	1,080	—	1,080
Deferred tax assets	<u>1,128</u>	—	<u>1,128</u>
Total non-current assets	<u>247,227</u>		<u>247,227</u>
CURRENT ASSETS			
Properties under development	13,214,929	—	13,214,929
Inventories	28,369	—	28,369
Amounts due from customers for contract works	279,411	—	279,411
Trade and retention receivables	638,810	—	638,810
Prepayments, deposits and other receivables	39,448	—	39,448
Financial asset at fair value through profit or loss	738,865	800,000	1,538,865
Tax prepaid	29,302	—	29,302
Pledged bank balances	41,414	—	41,414
Cash and cash equivalents	<u>2,327,460</u>	(800,000)	<u>1,527,460</u>
	17,338,008		17,338,008
Assets of disposal groups classified as held for sale	<u>2,183,957</u>	—	<u>2,183,957</u>
Total current assets	<u>19,521,965</u>		<u>19,521,965</u>

APPENDIX II**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group	Pro forma	Total for
	At 31 December	adjustment	the Group
	2017		At 31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Note (a)</i>	<i>Note (b)</i>	
CURRENT LIABILITIES			
Trade and retention payables and accruals	581,468	—	581,468
Other payables, deposits received and receipts in advance	34,395	—	34,395
Amounts due to customers for contract works	247,027	—	247,027
Interest-bearing bank borrowings	5,809,375	—	5,809,375
Tax payable	<u>1,954</u>	—	<u>1,954</u>
	6,674,219		6,674,219
Liabilities directly associated with the assets classified as held for sale	<u>416,209</u>	—	<u>416,209</u>
Total current liabilities	<u>7,090,428</u>		<u>7,090,428</u>
NET CURRENT ASSETS	<u>12,431,537</u>		<u>12,431,537</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>12,678,764</u>		<u>12,678,764</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	70,642	—	70,642
Guaranteed notes	295,343	—	295,343
Deferred tax liabilities	<u>94,778</u>	—	<u>94,778</u>
Total non-current liabilities	<u>460,763</u>		<u>460,763</u>
Net assets	<u>12,218,001</u>		<u>12,218,001</u>

2. Notes to the unaudited pro forma financial information of the Group

- (a) The assets and liabilities of the Group are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2017 as set out in the published annual report of the Group for the year ended 31 December 2017.
- (b) Pursuant to the Subscription Agreement dated 13 June 2018, the Company has contractually agreed to subscribe the 3-year 8% unsecured redeemable convertible bonds of an aggregate principal amount of HK\$800,000,000 (the “Convertible Bonds”) issued by Holistic Capital Investment Limited (the “Issuer”) (the “Subscription”).

Convertible Bonds

The Convertible Bonds have a conversion option which grants the holders the right to convert the Convertible Bonds into shares of the Issuer at a conversion price at which the conversion shares will be issued upon conversion, as adjusted from time to time, such that the entire principal amount will be converted into 95% of the issued and outstanding share capital of the Issuer. The Convertible Bonds are recognised as available-for-sales investments at fair value through profit or loss in accordance with Hong Kong Financial Reporting Standard 9 “Financial Instruments”.

Based on an external valuation report prepared by an independent professional valuer, the fair value of the Convertible Bonds as at 30 June 2018 (the “Valuation Date”) is approximately HK\$800 million. The fair value of the Convertible Bonds is measured by multiple valuation techniques of which significant estimates and judgement are incorporated.

The fair value of Convertible Bonds is approximately HK\$800 million and is basically composed of three parts, namely: (i) the expected present value of the debt component of approximately HK\$708.09 million; (ii) the conversion option value derived from the right to convert the Convertible Bonds into shares of the Issuer of approximately HK\$26.2 million; and (iii) the put option value derived from the right to request the Issuer for an early redemption of approximately HK\$65.71 million.

(i) *Expected present value of the debt component*

According to the external valuation report, the expected value of the debt component of approximately HK\$708.09 million is determined by the present value of the bonds' cashflow at the discount of the required yield. Key parameters are summarised as follows:

As at 30 June 2018

Maturity	3 years
Coupon rate	8%
Discount rate	12.9%

(ii) *Conversion option value derived from the right to convert the Convertible Bonds into shares of the Issuer and the put option value derived from the right to request the Issuer for an early redemption*

Holders of the Convertible Bonds have the right to convert the Convertible Bonds into shares of the Issuer at a conversion price at which the conversion shares will be issued upon conversion, as adjusted from time to time, such that the entire principal amount will be converted into 95% of the issued and outstanding share capital of the Issuer (the "Class A Shares"). According to the Subscription Agreement, the Class A Shares represent a senior class of share which enjoys priority over the remaining class of shares (the "Class B Shares") in case of allocation of the Issuer's assets. This right is considered as a call option (the "Conversion Option Value").

Meanwhile, the right of holders of the Convertible Bonds to request the Issuer for early redemption of the Convertible Bonds within 3 years from the date of subscription of the Convertible Bonds is considered as a put option (the "Put Option Value").

According to the external valuation report, the Conversion Option Value of approximately HK\$26.2 million as at the Valuation Date is estimated by using a binomial model and the Put Option Value of approximately HK\$65.71 million as at the Valuation Date is estimated as present value of its payoff, i.e. put price less debt component. Key parameters are summarised as follows:

As at 30 June 2018

Options life	3 years
Probability of consummation of the Potential Investment and the conditions in relation to the Potential Investment being satisfied	12.5%
Volatility of share price of Issuer	56%
Risk free rate	1.949%
Dividend yield	0%

- (c) The estimated transaction costs will be approximately HK\$1 million. No adjustment has been made to the unaudited pro forma financial information for transaction costs (including fees to legal adviser, reporting accountant, valuer, and printer) as the Directors determined that such costs are insignificant.
- (d) Apart from the adjustments as stated above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 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. DISCLOSURE OF INTERESTS

Interest of Directors and chief executive

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules:

Long position in the Shares and underlying Shares:

Name of Director	Capacity	Number of Shares	Number of underlying Shares	Total	Approximate percentage of the issued share capital of the Company (Note 1)
Mr. Huang Qijun	Beneficial owner	—	34,000,000 (Note 2)	34,000,000	1.00%
Mr. Mung Kin Keung	Beneficial owner	—	20,000,000 (Note 2)	20,000,000	0.59%
Mr. Fung Chiu Chak, Victor	Beneficial owner	—	20,000,000 (Note 2)	20,000,000	0.59%
Mr. Liu Junchun	Beneficial owner	—	20,000,000 (Note 2)	20,000,000	0.59%
Mr. Mu Xianyi	Beneficial owner	—	20,000,000 (Note 2)	20,000,000	0.59%
Mr. Li Xiaoming	Beneficial owner	—	15,000,000 (Note 2)	15,000,000	0.44%
Mr. Wong Tai Lun Kenneth	Beneficial owner	—	15,000,000 (Note 2)	15,000,000	0.44%

Name of Director	Capacity	Number of Shares	Number of underlying Shares	Total	Approximate percentage of the issued share capital of the Company (Note 1)
Mr. Mung Hon Ting Jackie	Beneficial owner	—	15,000,000 (Note 2)	15,000,000	0.44%
Mr. Tang King Shing	Beneficial owner	—	8,000,000 (Note 2)	8,000,000	0.24%
Mr. Tang Kit	Beneficial owner	—	8,000,000 (Note 2)	8,000,000	0.24%
Mr. Fan Chor Ho	Beneficial owner	—	3,400,000 (Note 2)	3,400,000	0.10%
Mr. Tse Man Bun	Beneficial owner	—	3,400,000 (Note 2)	3,400,000	0.10%
Mr. Lung Chee Ming, George	Beneficial owner	—	3,400,000 (Note 2)	3,400,000	0.10%
Mr. Li Kit Chee	Beneficial owner	—	3,400,000 (Note 2)	3,400,000	0.10%
Mr. Leung Kai Cheung	Beneficial owner	—	3,400,000 (Note 2)	3,400,000	0.10%

Notes:

1. Based on 3,402,497,709 Shares issued as at the Latest Practicable Date.
2. All underlying Shares are share options granted by the Company on 20 July 2018 under the share option scheme of the Company at the exercise price of HK\$1.75 per Share.

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 Division 2 and 3 of Part XV of the SFO:

Director	Company	Position
Mr. Huang Qijun	HNA Group Co., Ltd.	Director
	HNA Holding Group Co., Ltd.	Director and chairman of the board
	Hainan HNA Holding Co., Ltd.	Director and chairman of the board
	HNA Investment Holding Co., Ltd.	Director
	Beijing HNA Financial Holdings Co., Ltd.	Director and chairman of the board
Mr. Mu Xianyi	HNA Holding Group Co., Ltd.	Director

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 short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of any compensation (other than statutory compensation).

5. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by the Company and/or members of the Group and are or may be material:

Capitalised terms used but not defined in this paragraph headed "Material Contracts" shall have the same meanings as those ascribed in the 2018 VSD Circular.

- (a) the subscription agreement dated 22 August 2016 entered into among the Company as issuer and CSCEC Capital (Hong Kong) Limited as subscriber in relation to the subscription for 57,000,000 Shares at a price of HK\$4.08 per subscription Share;
- (b) the subscription agreement dated 22 August 2016 entered into among the Company as issuer and BCEGI (Hong Kong) Company Limited as subscriber in relation to the subscription for 57,000,000 Shares at a price of HK\$4.08 per subscription Share;
- (c) the subscription agreement dated 22 August 2016 entered into among the Company as issuer and Hong Kong Marine Construction Limited as subscriber in relation to the subscription for 57,000,000 Shares at a price of HK\$4.08 per subscription Share;
- (d) the subscription agreement dated 5 September 2016 entered into among the Company as issuer and Hwabao Trust Co., Ltd.* (華寶信託有限責任公司) (as trustee and for and on behalf of and for the benefit of Shenzhen Terart Decoration Design Engineering Co., Ltd.* (深圳市特藝達裝飾設計工程有限公司) as subscriber in relation to the subscription for 10,500,000 Shares at a price of HK\$4.08 per subscription Share;

- (e) the subscription agreement dated 9 September 2016 entered into among the Company as issuer and CRCC Hong Kong Development Limited (中鐵香港發展有限公司) as subscriber in relation to the subscription for 57,000,000 Shares at a price of HK\$4.08 per subscription Share;
- (f) the subscription agreement dated 9 September 2016 entered into among the Company as issuer and Hwabao Trust Co., Ltd.* (華寶信託有限責任公司) (as trustee and for and on behalf of and for the benefit of Suzhou Gold Mantis Corporation (Group) Co., Ltd.* (蘇州金螳螂企業(集團)有限公司) as subscriber in relation to the subscription for 10,500,000 Shares at a price of HK\$4.08 per subscription Share;
- (g) the subscription agreement dated 9 September 2016 entered into among the Company as issuer and 華寶信託有限責任公司 (Hwabao Trust Co., Ltd.*) (as trustee and for and on behalf of and for the benefit of 海南生達實業有限公司 (Hainan Shengda Industrial Co., Ltd.*)) as subscriber in relation to the subscription for 10,500,000 Shares at a price of HK\$4.08 per subscription Share;
- (h) the shareholder's loan agreement dated 20 February 2017 entered into among the Company as borrower and HNA Finance I Co., Ltd. (as lender) in relation to an interest free unsecured loan of HK\$2,750,000,000 for financing of the acquisition of 6564 Land Parcel by Top Genius Holdings Limited;
- (i) the underwriting agreement dated 28 March 2017 (as amended and supplemented by side letters dated 20 April 2017 and 25 April 2017) and entered into between the Company and CCB International Capital Limited and HNA Finance I Co., Ltd. (as underwriters) in relation to the Rights Issue;
- (j) an irrevocable undertaking dated 28 March 2017 given by HNA Finance I Co., Ltd. in favour of the Company and CCB International Capital Limited in relation to the Rights Issue;
- (k) the shareholder's loan agreement dated 5 April 2017 entered into between the Company (as borrower) and HNA Finance I Co., Ltd. (as lender) in relation to an interest-free unsecured loan of HK\$2,700 million for financing the acquisition of the 6563 Land Parcel by Milway;
- (l) the shareholder's loan agreement dated 7 April 2017 entered into between the Company (as borrower) and HNA Finance I Co., Ltd. (as lender) in relation to an interest-free unsecured loan of HK\$3,700 million for financing the acquisition of the 6563 Land Parcel by Milway;
- (m) the programme agreement dated 7 April 2017 entered into between Silverbell (as issuer), the Company (as guarantor) and the dealers named therein in relation to the basis on which Silverbell may from time to time agree to issue, and on which any of dealers may from time to time agree to subscribe, notes under the MTN Programme unconditionally and irrevocably guaranteed by the Company;

- (n) the trust deed dated 7 April 2017 entered into between the Company, Silverbell and The Bank of New York Mellon, London Branch (the “**Trustee**”) in relation to the rights and duties of the Trustee in respect of any notes issued under the MTN Programme and by which any notes to be issued under the MTN Programme shall be constituted;
- (o) the agency agreement dated 7 April 2017 entered into between the Company, Silverbell, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent, and the other agents named in it in relation to the rights and duties of such agents in respect of any notes to be issued under the MTN Programme;
- (p) an irrevocable undertaking dated 10 April 2017 given by an existing Shareholder, Shenzhen Terart Decoration Design Engineering Co., Ltd.* (深圳市特藝達裝飾設計工程有限公司), pursuant to which Shenzhen Terart Decoration Design Engineering Co., Ltd.* (深圳市特藝達裝飾設計工程有限公司) undertook that it will take up and pay for 21,000,000 rights Shares, which constitute its provisional allotment of the rights Shares under the Rights Issue in respect of the Shares beneficially owned by it as at the time of the giving of the undertaking;
- (q) an irrevocable undertaking dated 10 April 2017 given by an existing Shareholder, Hainan Shengda Industrial Co., Ltd.* (海南生達實業有限公司), pursuant to which Hainan Shengda Industrial Co., Ltd.* (海南生達實業有限公司) undertook that it will take up and pay for 21,000,000 rights Shares, which constitute its provisional allotment of the rights Shares under the Rights Issue in respect of the Shares beneficially owned by it as at the time of the giving of the undertaking;
- (r) an irrevocable undertaking dated 18 April 2017 given by an existing Shareholder, Hong Kong Marine Construction Limited, pursuant to which Hong Kong Marine Construction Limited undertook that it will take up and pay for 114,000,000 rights Shares under the Rights Issue, which constitute its provisional allotment of the rights Shares under the Rights Issue in respect of the Shares beneficially owned by it as at the time of the giving of the undertaking;
- (s) the deed of release dated 27 April 2017 entered into between the Company, TFHK (a wholly-owned subsidiary of the Company) and Fortunate Pool in relation to the release of each party to the shareholders’ agreement of TFHK dated 17 January 2014 of their obligations and/or liabilities thereunder, upon completion of the Foundation SPA;
- (t) the master agreement dated 6 July 2017 entered into between the Company and Mr. FUNG Chiu Chak, Victor (vice chairman and an executive Director of the Company) in respect of the subcontracting of foundation works, building and construction works, electrical and mechanical engineering works and/or rental of tower cranes and provision of engineering services;
- (u) the pricing supplemental agreement dated 21 July 2017 entered into between Silverbell (as issuer) and the Company (as guarantor) in relation to the pricing details of certain guaranteed notes due 2020 with a nominal value of HK\$130,000,000 and a coupon of 7.0% under the MTN Programme;

- (v) the confirmation letter dated 21 July 2017 entered into between Silverbell (as issuer) and the Company (as guarantor) in relation to the confirmation of the appointment of Guotai Junan Securities (Hong Kong) Limited as a dealer for the guaranteed notes referred to in item (u);
- (w) the pricing supplement agreement dated 10 August 2017 entered into between Silverbell (as issuer) and the Company (as guarantor) in relation to the pricing details of certain guaranteed notes due 2020 with a nominal value of HK\$90,000,000 under the MTN Programme (to be consolidated and form a single series with the guaranteed notes referred to in item (u));
- (x) the confirmation letter dated 10 August 2017 entered into between Silverbell (as issuer) and the Company (as guarantor) in relation to the confirmation of the appointment of Guotai Junan Securities (Hong Kong) Limited as a dealer for the guaranteed notes referred to in item (w);
- (y) the subscription agreement dated 4 September 2017 entered into between Uni-Genius Investments Limited (as subscriber) and Right Time Global Investment SPC (as issuer) in relation to the subscription of shares of Right Time Global Investment SPC in an aggregate amount of US\$200 million;
- (z) the master agreement dated 22 September 2017 entered into between TFHK with Denco Properties Limited and Hongkong Island Construction Properties Co., Limited in relation to the provision of foundation works by members of the Group to members of HNA Group Co., Ltd.;
- (aa) the master agreement dated 22 September 2017 entered into between the Company and Hainan Marine Construction Project Management Contracting Company Limited* (海南海建工程管理總承包有限公司), in relation to the provision of BIM (building information modelling) modelling services and BIM platform by members of HNA Group Co., Ltd. to members of the Group;
- (bb) the amended and restated exempted limited partnership agreement dated 13 October 2017 entered into between Benefit Developments Limited (“**BDL**”, a wholly-owned subsidiary of the Company) and Hisea International Co., Ltd. (as limited partners) and HKICIM (GP) II Limited (as general partner, a wholly-owned subsidiary of the Company), in relation to the transactions contemplated under the subscription agreement referred to in item (cc);
- (cc) the subscription agreement dated 13 October 2017 entered into by BDL pursuant to which BDL has agreed to commit a cash contribution of approximately HK\$667.7 million to HKICIM Fund II, L.P., an exempted limited partnership established in the Cayman Islands (“**Fund II**”);

- (dd) the conditional sale and purchase agreement (the “**Best Feast SPA**”) entered into among the Company, Forestar Assets Limited (a wholly-owned subsidiary of the Company) (“**Forestar Assets**”), Best Feast Limited, Mr. Cheung Wai Suen and Ms. Wang Heng dated 18 October 2017 for the sale and purchase of approximately 10.63% of the issued share capital of Sapphire Corporation Limited, a company incorporated in Singapore with limited liability and the issued shares of which are listed on the Main Board of Singapore Exchange Securities Trading Limited, to be settled by the issue and allotment of a maximum of 24,871,074 consideration Shares at an issue price of HK\$4.08 per Share by the Company to Best Feast Limited;
- (ee) the conditional sale and purchase agreement (the “**Ou Rui SPA**”) entered into among the Company, Forestar Assets Limited and Ou Rui Limited dated 18 October 2017 for the sale and purchase of approximately 17.33% of the issued share capital of Sapphire Corporation Limited, to be settled by the issue and allotment of a maximum of 40,547,103 consideration Shares at an issue price of HK\$4.08 per Share by the Company to On Rui Limited;
- (ff) the (i) termination agreement entered into among the Company, Forestar Assets Limited, Best Feast Limited, Mr. Cheung Wai Suen and Ms. Wang Heng dated 29 January 2018 for the termination of the Best Feast SPA and; (ii) the termination agreement entered into among the Company, Forestar Assets Limited and Ou Rui Limited dated 29 January 2018 for the termination of the Ou Rui SPA;
- (gg) the equity transfer agreement dated 13 November 2017 entered into between Great Regent Investments Limited, Shanghai Changning Duncan Property Consulting Co., Ltd.* (上海長寧頓肯房地產經紀有限公司), Red Shine Investment Limited and Carriway Limited (collectively the “**Shanghai Sellers**”), Hainan HNA Shou Fu Investment Co., Ltd.* (海南海航首府投資有限公司) (“**HNA Shou Fu Investment**”) and Tysan Land (Shanghai) Limited* (泰昇房地產(上海)有限公司) (“**Tysan Shanghai**”) in relation to the disposal of the entire equity interest in Tysan Shanghai by the Shanghai Sellers to HNA Shou Fu Investment at a cash consideration of RMB585.8 million;
- (hh) the equity transfer agreement dated 13 November 2017 entered into between Sparkle Key Limited (“**Sparkle Key**”), 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) (“**HNA Infrastructure Investment**”, now known as HNA Infrastructure Investment Group Co., Ltd. (海航基礎設施投資集團股份有限公司)) and Tysan Land (Shenyang) Limited* (泰昇房地產(瀋陽)有限公司) (“**Tysan Shenyang**”) in relation to the disposal of the entire equity interest in Tysan Shenyang by the Sparkle Key to HNA Infrastructure Investment at a cash consideration of RMB762 million;
- (ii) the equity transfer agreement dated 13 November 2017 entered into between Great Prosper Limited (“**Great Prosper**”), HNA Shou Fu Investment and Tysan Property Development (Tianjin) Co. Ltd.* (泰昇房地產開發(天津)有限公司) (“**Tysan Tianjin**”) in relation to the disposal of the entire equity interest in Tysan Tianjin by Great Prosper to HNA Shou Fu Investment at a cash consideration of RMB435.8 million;

- (jj) the amended and restated exempted limited partnership agreement dated 30 November 2017 entered into between Benefit Developments III Limited (“**BDL III**”, a wholly-owned subsidiary of the Company) and Hisea International Co., Ltd. (as limited partners) and HKICIM (GP) III Limited (as general partner, a wholly-owned subsidiary of the Company) in relation to the transactions contemplated under the subscription agreement referred to in item (kk);
- (kk) 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 HKICIM Fund III L.P., an exempted limited partnership established in the Cayman Islands (“**Fund III**”);
- (ll) the pricing supplement agreement dated 1 December 2017 entered into between Silverbell (as issuer) and the Company (as guarantor) in relation to the pricing details of certain guaranteed notes due 2020 with a nominal value of HK\$85,000,000 and a coupon of 7.0% under the MTN Programme;
- (mm) the confirmation letter dated 1 December 2017 entered into between Silverbell (as issuer) and the Company (as guarantor) in relation to the confirmation of the appointment of Guotai Junan Securities (Hong Kong) Limited as a dealer for the guaranteed notes referred to in item (ll);
- (nn) the term sheet dated 19 January 2018 entered into between the Company and Shinhan Creative Finance 3rd Co. with respect to the issue of convertible bonds in the principal amount of not less than US\$50,000,000 (equivalent to approximately HK\$390,000,000) and not more than US\$85,000,000 (equivalent to approximately HK\$663,000,000) by the Company to Shinhan Creative Finance 3rd Co. (a special purpose company established in the Republic of Korea solely for the purpose of such issue of convertible bonds);
- (oo) the sale and purchase agreements dated 12 February 2018 entered into among (among others) (i) Fund II and Shibo Investment Limited and (ii) Fund III and Easco Investment Limited in relation to the disposal of Fund II and Fund III’s interest in Total Thrive Holdings Limited and Sky Hero Developments Limited;
- (pp) the amended and restated exempted limited partnership agreement dated 6 March 2018 entered into between HKICIM (GP) V Limited (as general partner, a wholly-owned subsidiary of the Company) and Mr. MU Xianyi and Hong Kong International Investment Group Co., Limited (“**HKIIG**”) (as limited partners) in relation to the formation of HKICIM Fund V, L.P.;
- (qq) the subscription agreement dated 6 March 2018 entered into by HKIIG pursuant to which HKIIG has agreed, in the capacity as a limited partner of HKICIM Fund V, L.P., to commit a non-cash contribution of HK\$1.5 billion to HKICIM Fund V, L.P.;

- (rr) the binding offer dated 8 March 2018 entered into between, among others, (i) Omnilink Assets Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company (the “**Offer Vendor**”), (ii) the Company as guarantor of the Offer Vendor and (iii) Fabulous New Limited, a company incorporated in the British Virgin Islands (the “**Offer Purchaser**”) in relation to, among other things, (x) the sale and purchase of the entire issued share capital of Onwards Asia Limited, a company incorporated in the British Virgin Islands and (y) the assignment to the Offer Purchaser of the Shareholder Loans for a total consideration of HK\$6,359,155,000;
- (ss) the sale and purchase agreement dated 21 March 2018 entered into between, among others, the Company, the Offer Vendor and the Offer Purchaser in relation to, among other things, (i) the sale and purchase of the entire issued share capital of Onwards Asia Limited, a company incorporated in the British Virgin Islands and (ii) the assignment to the Offer Purchaser of the Shareholder Loans for a total consideration of HK\$6,359,155,000;
- (tt) the partnership agreement dated 6 June 2018 entered into between Haikou Xincheng District Equity Investment Fund Management Co., Ltd.* (海口新城區股權投資基金管理有限公司) (as general partner) and Shanghai Changning Duncan Property Consulting Co., Ltd* (上海長寧頓肯房地產經紀有限公司) (as limited partner, a wholly-owned subsidiary of the Company, “**Shanghai Changning Duncan**”) in relation to the formation of Hengqin Zhonghang Equity Investment Fund Partnership (Limited Partnership)* (橫琴眾航股權投資基金合夥企業(有限合夥), that Shanghai Changning Duncan would commit a cash consideration of RMB300 million;
- (uu) the Subscription Agreement; and
- (vv) the agreement to terminate the term sheet referred to in item (nn) dated 29 June 2018 entered into between the Company and Shinhan Creative Finance 3rd Co..

Save as previously disclosed by the Company and in this circular, no consideration has been passed to or from any member of the Group in relation to the above material contracts.

6. DIRECTORS’ INTEREST IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP AND COMPETING INTERESTS

Save for the interest of 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. FUNG Chiu Chak, Victor (vice chairman and an executive Director of the Company) (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 2017, 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 or expert (as named in this circular) was interested, directly or indirectly, 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.

Each of the Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of the Company and avoids any conflicts between his duties as a Director and his personal interest.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and his respective close associates (as defined in the Listing Rules) 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.

7. EXPERT AND CONSENT

The following sets out the qualification of the professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountant

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with its letter and/or reference to its name included in the form and context in which it was included.

Ernst & Young confirmed that as at the Latest Practicable Date:

1. it did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
2. it did not have any direct or indirect interest in any assets which had been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business is at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.
2. Ms. Wong Suk Han Kitty is the company secretary of the Company. She is a solicitor qualified in Hong Kong and has been admitted as a solicitor of the supreme court of England and Wales.

3. The Company's branch share registrar in Hong Kong is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
4. The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. 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 on any business days for a period of 14 days from the date of this circular:

1. the memorandum of association and bye-laws of the Company;
2. a copy of each of the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
3. the written consent from Ernst & Young referred to in the paragraph headed "Expert and Consent" in this appendix;
4. the annual report of the Company for the year ended 31 March 2016;
5. the annual report of the Company for the 9 months period ended 31 December 2016;
6. the annual report of the Company for the year ended 31 December 2017;
7. the 2018 VSD Circular;
8. the letter on the unaudited pro forma financial information issued by Ernst & Young, the text of which is set out in Appendix II to this circular; and
9. this circular.