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If you have sold or transferred all your shares in Hong Kong International Construction Investment Management Group Co., Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

(Incorporated in Bermuda with limited liability)

(Stock code: 687)

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE ACQUISITION OF LAND USE RIGHT
IN HONG KONG**

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DEFINITIONS

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

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|---|---|
| “Acquisition” | the acquisition of the land use right over the Land Parcel as contemplated under the Memorandum of Agreement |
| “Bank Loan” | an interest bearing bank loan in the principal amount of HK\$2,602,000,000 from Shanghai Commercial Bank Limited, at an interest rate of the Hong Kong interbank offered rate plus 1.6%, with security provided by the Group, including a guarantee by the Company as guarantor, a share charge over all the issued shares of Top Genius, a mortgage over the Land Parcel and a fixed and floating charge over the assets of Top Genius, with a maturity date of one year, to finance part of the Acquisition |
| “Bank Loan Agreement” | the facility agreement dated 20 February 2017 entered into between, among others, Top Genius as borrower, the Company as guarantor, and Shanghai Commercial Bank Limited as lender in respect of the Bank Loan |
| “Board” | the board of Directors |
| “close associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Company” | Hong Kong International Construction Investment Management Group Co., Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange |
| “Consideration” | the land premium payable for the Land Parcel of HK\$5,529,700,000 |
| “Controlling Shareholder” or “HNA Finance I” | means HNA Finance I Co., Ltd., a company incorporated in Anguilla with limited liability and a wholly-owned subsidiary of HNA Group Co., Ltd., which, as at the Latest Practicable Date, held 755,862,228 Shares, representing approximately 66.64% of the issued Shares |
| “Director(s)” | the director(s) of the Company |
| “Director of Lands” | the Director of Lands of the Lands Department of the HK Government |
| “Fortunate Pool” | Fortunate Pool Limited (祥澤有限公司), a company incorporated in Hong Kong with limited liability which is wholly-owned by Mr. Fung |

DEFINITIONS

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| “Foundation Sale Shares” | in aggregate, 40 issued shares of TFHK, representing in aggregate 40% of the issued shares of TFHK |
| “Foundation SPA” | the sale and purchase agreement dated 19 April 2016 entered into among the Company, Fortunate Pool and Mr. Fung in relation to the sale by Fortunate Pool and purchase by the Company of the Foundation Sale Shares |
| “Foundation Transaction” | the sale and purchase of the Foundation Sale Shares pursuant and subject to the terms and conditions of the Foundation SPA; phase 1 of which, relating to the sale and purchase of 35 issued shares of TFHK (representing 35% of the issued shares of TFHK), was completed on 4 July 2016; phase 2 of which, relating to the sale and purchase of 5 issued shares of TFHK (representing 5% of the issued shares of TFHK), has not yet completed as at the Latest Practicable Date |
| “Group” | the Company and its subsidiaries |
| “HK Government” | the government of Hong Kong |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Land Parcel” | the piece of land parcel known as New Kowloon Inland Lot No. 6564, on Kai Tak Area 1L Site 1, Kai Tak, Kowloon, Hong Kong with a total site area of approximately 7,318 square metres |
| “Latest Practicable Date” | 10 March 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information included in this circular |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Management Incentive Scheme” | the management incentive and retention plan adopted by the Company in the year ended 31 March 2015, as stated in the Company’s annual report for the year ended 31 March 2015, in favour of its executive Directors and the Group’s senior management, for payments to participants calculated by reference to dividends declared by the Company and the value of the Company as determined at the time of a change of control of the Company, which was terminated on the date of completion of the Tides Transaction, i.e. 30 June 2016 |
| “Memorandum of Agreement” | the memorandum of agreement signed by Top Genius for the acquisition of land use right over the Land Parcel |

DEFINITIONS

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| “Mr. Fung” | Mr. Fung Chiu Chak, Victor, the vice chairman, chief executive officer, managing director and an executive Director of the Company |
| “PRC” | The People’s Republic of China |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company |
| “Shareholder’s Loan” | an interest free, unsecured, loan from the Controlling Shareholder in the principal amount of HK\$2,750,000,000 to finance part of the Acquisition and which has an initial maturity date of one year with an option available to the Company to extend for another year |
| “Shareholders” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tender” | the tender bid for the acquisition of the Land Parcel submitted by Top Genius |
| “TFHK” | Tysan Foundation (Hong Kong) Limited, a private limited company incorporated in Hong Kong and a subsidiary of the Company, owned as to 95% by the Company and as to 5% by Fortunate Pool as at the Latest Practicable Date |
| “Tides Holdings II” | Tides Holdings II Ltd., a company incorporated in the British Virgin Islands |
| “Tides Sale Shares” | 577,279,496 Shares, representing approximately 66% of the issued Shares immediately before completion of the Tides SPA |
| “Tides SPA” | the sale and purchase agreement dated 19 April 2016 between the Controlling Shareholder and Tides Holdings II in relation to the Tides Transaction |
| “Tides Transaction” | the sale and purchase of the Tides Sale Shares pursuant to the terms of the Tides SPA, which was completed on 30 June 2016 |
| “Top Genius” | Top Genius Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company |
| “%” | 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. ZHAO Quan (Chairman)
Mr. FUNG Chiu Chak, Victor
(Vice Chairman, Chief Executive Officer
and Managing Director)
Mr. LIU Junchun (Co-Vice Chairman)
Mr. CHIU Chin Hung
Mr. LAU Kin Fai
Mr. FAN Ning
Mr. MENG Yongtao
Mr. WONG Tai Lun Kenneth

Independent Non-executive Directors

Mr. FAN Chor Ho
Mr. TSE Man Bun
Mr. LUNG Chee Ming, George
Mr. LI Kit Chee

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:

20th Floor One Island South
No. 2 Heung Yip Road
Wong Chuk Hang
Hong Kong

13 March 2017

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

Reference is made to the Company's announcement dated 7 February 2017 in relation to the Acquisition of the Land Parcel from the HK Government by public tender.

The Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules. The purpose of this circular is to provide you with further details of the Acquisition and the general information of the Group.

LETTER FROM THE BOARD

2. DETAILS OF THE ACQUISITION

On 7 February 2017, Top Genius signed the Memorandum of Agreement and delivered the same to the HK Government, pursuant to which Top Genius will acquire the land use right over the Land Parcel from the HK Government at the Consideration of HK\$5,529,700,000.

Parties

- (1) The HK Government, as the vendor of the Land Parcel and a third party independent of the Company and its connected persons; and
- (2) Top Genius, a wholly-owned subsidiary of the Company, as the tenderer of the Land Parcel

Information of the Land Parcel

| | |
|--|--|
| Location: | New Kowloon Inland Lot No. 6564, Kai Tak Area 1L Site 1, Kai Tak, Kowloon, Hong Kong |
| Term of lease: | 50 years commencing from the date of the Memorandum of Agreement |
| Site area: | Approximately 7,318 square metres |
| Minimum and maximum permissible developable gross floor area: | Approximately 23,711 square metres and 39,517 square metres, respectively |
| Maximum site coverage: | Not exceeding 40% of the area of the Land Parcel |
| Permitted use: | Private residential purposes |
| Completion Date: | The Land Parcel should be developed into building or buildings which shall be completed and made fit for occupation on or before 31 March 2022. |
| Assignment restriction: | The Land Parcel and the buildings erected thereon may only be assigned after compliance with the conditions of the conditions of sale of the Land Parcel to the satisfaction of the Director of Lands, unless prior written consent of the Director of Lands is obtained and any conditions imposed on the grant of consent have been satisfied. |

LETTER FROM THE BOARD

Consideration and payment terms

The Consideration of HK\$5,529,700,000, for the acquisition of land use right of the Land Parcel was settled as follows:

- (a) the non-refundable deposit of HK\$25,000,000 paid together with the submission of the Tender by Top Genius was treated as a deposit towards and applied in partial payment of the Consideration; and
- (b) the remaining balance of HK\$5,504,700,000 was paid in one lump sum to the HK Government on 21 February 2017.

The Consideration, being the bid price submitted under the Tender was determined by the Directors with reference to the future business prospects and development potential in the region in which the Land Parcel is situated and the overall prospects of the property market in Hong Kong. Pursuant to the Memorandum of Agreement, an annual rent of an amount equal to 3% (as determined by the HK Government) of the rateable value from time to time of the Land Parcel will be charged to Top Genius for a term of fifty years commencing from the date of the Memorandum of Agreement. As Top Genius signed the Memorandum of Agreement on 7 February 2017 and paid the remaining balance of HK\$5,504,700,000 to the HK Government on 21 February 2017 in accordance with the terms of the Memorandum of Agreement, Top Genius will obtain possession of the Land Parcel from the HK Government and such possession is deemed to have been given to Top Genius from the date of the Memorandum of Agreement. There are no other conditions to be satisfied before Top Genius can obtain possession of the Land Parcel.

The Consideration payable by Top Genius is financed by a combination of (a) the Group's internal resources, (b) the Bank Loan, and (c) the Shareholder's Loan.

In accordance with the terms of the Bank Loan Agreement, Top Genius is required to ensure that participating banks take up the relevant rights and obligations in connection with 50% of the Bank Loan, amounting to HK\$1,301,000,000, transferred from Shanghai Commercial Bank Limited (the "**Transfer**") and such Transfer be completed within three months of the date of the Bank Loan Agreement (i.e. by 20 May 2017). As at the Latest Practicable Date, the Group has identified a potential participating bank which intends to take up certain portion of the Bank Loan, amounting to approximately HK\$1,000,000,000 (the "**Transfer Loan**"). The potential participating bank is currently obtaining internal approval of such transaction. If the potential participating bank is not able to obtain internal approval to take up the Transfer Loan, Top Genius will be required to repay such amount to Shanghai Commercial Bank Limited such that the total loan from Shanghai Commercial Bank Limited will be no more than HK\$1,300,000,000. Based on discussions so far, the Directors are confident that the transfer of rights and obligations of the Transfer Loan will be effected in accordance with the Bank Loan Agreement. In the event that alternative financing is required, the Company will seek out such third party financing and/or the continued support of the Controlling Shareholder. Regarding the remaining portion of the Bank Loan, amounting to approximately HK\$300,000,000 (the "**Non-transferred Loan**") required to be transferred, the Directors are in negotiations with Shanghai Commercial Bank Limited to take up such amount such that the total amount borrowed from Shanghai Commercial Bank Limited will be HK\$1,601,000,000. If Shanghai Commercial Bank Limited is not able to obtain internal approval to take up the additional HK\$300,000,000, the Group will repay the Non-transferred Loan in May 2017 from its internal resources.

LETTER FROM THE BOARD

As the Shareholder's Loan is not secured by any assets of the Group and, being interest free, is on normal commercial terms or better, the grant of the Shareholder's Loan from the Controlling Shareholder, although a connected transaction, is fully-exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the Company's annual report for 2015/2016, the main segments of the business of the Group include (i) foundation piling and site investigation in Hong Kong; (ii) property development in the PRC; and (iii) property investment and management in the PRC.

In addition to the foundation piling and site investigation industry in Hong Kong and property development and property investment and management in the PRC, the Company intends to diversify its business operations and seeks to expand its business to include more substantive project development in Hong Kong in order to capture potential business opportunities in Hong Kong and enhance the Group's long-term growth potential. With the rapid development of the property market in the PRC in the last two decades, many PRC developers have evolved and become very successful in property development and as such, the Board believes that Hong Kong developers have become less competitive in the PRC. Furthermore, if the depreciation of RMB continues, it may impair the revenue and profit of Hong Kong developers even if the business has not been affected by the slow-down of the PRC economy. As such, the Group has reconsidered its business strategies and future development plans in respect of the locations of its property development projects.

Further, in view of the scarcity in the supply of land bank in Hong Kong, the growing demand for residential properties as evidenced by the recent sales of new residential developments in Kai Tak, Tsuen Wan and Yuen Long and surging property prices in Hong Kong as shown in the annual price indices by class published by the Rating and Valuation Department of the HK Government, the Board has confidence in the residential property market in Hong Kong. In this connection, the Group has identified the Land Parcel which will be planned and developed into private residential properties. The Land Parcel is situated at a prime location which is expected to be supported by a comprehensive transportation network and infrastructure. The Board believes that the Acquisition represents a significant milestone in expanding the Group's property development business into Hong Kong and will enhance the Group's income stream and competitiveness as a whole.

In respect of development plans, it is the Group's plan to develop the Land Parcel in one phase with a total gross floor area of approximately 39,517 square metres and offer 580 units. The expected completion date will be on or before 31 March 2022.

As disclosed in the Company's announcement dated 19 January 2017, the Group entered into a non-legally binding memorandum of understanding with Hongkong Island Construction Properties Co., Limited ("**HIC**") and Denco Properties Limited ("**Denco**"), both of which are non-wholly-owned subsidiaries of HNA Group Co., Ltd. to provide certain engineering and project management services in relation to the development of two pieces of land parcel situated at Kai Tak, which are close to the Land Parcel (the "**Proposed Engagement**"). As at the Latest Practicable Date, no formal agreement had been entered into among the relevant parties in respect of the Proposed Engagement but

LETTER FROM THE BOARD

negotiation is ongoing. The Proposed Engagement is in relation to provision of engineering and project management services at a fee so no assets are expected to be recognised by the Group. As at the Latest Practicable Date, there was no plan for any joint development or arrangement with HIC and Denco in relation to the land parcels under the Proposed Engagement and the Land Parcel.

The Directors consider that the terms of the Memorandum of Agreement are normal commercial terms, and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. FINANCIAL EFFECTS OF THE ACQUISITION

The Directors consider that the Acquisition will not have any impact on the earnings until the land is developed, sold and delivered to buyers.

As the Acquisition was financed by internal resources, banking facilities and shareholders' loan, the assets of the Group would be increased by the amount of land premium but partially offset by the reduction of cash and bank balances representing the amount of internal resources used for financing the Acquisition while the liabilities would be increased by the amount of term loans and shareholders' loan accordingly.

5. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the obtaining of the land use right over the Land Parcel is 100% or more, the Acquisition constitutes a very substantial acquisition for the Company pursuant to Chapter 14 of the Listing Rules. The Acquisition is a qualified property acquisition under Rule 14.04(10C) of the Listing Rules as it involves an acquisition of land in Hong Kong from the HK Government through a public tender. The Acquisition is undertaken on a sole basis by the Company in its ordinary and usual course of business. Accordingly, the Acquisition is subject to reporting and announcement requirements but is exempt from Shareholders' approval requirements pursuant to Rule 14.33A(1) of the Listing Rules.

Accordingly, no general meeting of the Company will be convened for the purpose of approving the Acquisition; and valuation of the Land Parcel is not required pursuant to Rule 14.33B(3) of the Listing Rules.

6. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the board of
**HONG KONG INTERNATIONAL
CONSTRUCTION INVESTMENT
MANAGEMENT GROUP CO., LIMITED**
Zhao Quan
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of three years ended 31 March 2014, 2015 and 2016 and the six months ended 30 September 2016 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 2014 published on 9 July 2014 (pages 46 to 175), which can be accessed via the link at

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0709/LTN20140709179.pdf>)
- (ii) 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>)
- (iii) 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>)
- (iv) interim report of the Company for the six months ended 30 September 2016 published on 2 December 2016 (pages 9 to 27), which can be accessed via the link at

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1202/LTN20161202049.pdf>)

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the performance and other information of the Group for the years ended 31 March 2014, 2015 and 2016 and for the six months ended 30 September 2016 principally extracted from the annual reports of the Company for the years ended 31 March 2014, 2015 and 2016, and the interim report of the Company for the six months ended 30 September 2016, respectively. Unless the context otherwise require, capitalised terms used therein shall have the same meanings as those ascribed in the Company's annual reports for the year ended 31 March 2014, 2015 and 2016, and the interim report for the six months ended 30 September 2016, respectively.

(i) For the year ended 31 March 2014**BUSINESS REVIEW*****Hong Kong Market******Foundation Piling***

Turnover of the Group's foundation division decreased by 15% to HK\$2,471 million for the year under review. Its net contribution increased by 2.3 times to HK\$189 million as compared to HK\$80

million last year. The Group's major contracts on hand include, inter alia, a public housing development in Tung Chung Area 39, private residential developments in Kai Tak and Tseung Kwan O, and site formation and foundation works for a residential development in Kau To, Shatin.

Other Construction Related Sectors

During the year under review, turnover of the Group's electrical and mechanical engineering division was HK\$21 million and the division made a net contribution of about HK\$0.7 million. The Group expects the division will continue to maintain the current trend in the coming year. Turnover of the machinery leasing and trading division maintained at HK\$32 million during the year under review and the division incurred a loss of about HK\$0.5 million. The Group expects the division to turnaround in the coming year.

PRC Market

Property Development

The Waterfront

During the year under review, the Group's residential project in Shanghai, The Waterfront, recognized a revenue of HK\$449 million as compared to HK\$224 million in the same period last year and contribution to profit of HK\$258 million (2013: HK\$140 million). The unsold area at The Waterfront as at 31 March 2014 are outlined below:

- Residential: about 11,800 sqm;
- Car Park: 99 car park spaces;
- Non-Residential: about 4,800 sqm, representing primarily street front retail and a historic building.

From April to May 2014, an additional 2,046 sqm of the project was sold.

As the government's tightening policies continue, the market sentiment is expected to remain cautious and conservative. However, as The Waterfront is a unique product and the remaining inventory is relatively small, we expect the price to remain stable.

The Riverside

The Group's residential project in Tianjin, The Riverside, comprises 6 towers with a total gross floor area ("GFA") of about 75,000 sqm. The unsold area at The Riverside as at 31 March 2014 are outlined below:

- Residential: about 34,200 sqm;
- Car Park: 185 car park spaces;

- Non-Residential: about 4,000 sqm, representing primarily street front retail and The Riverside's clubhouse.

From April to May 2014, an additional 1,765 sqm of the project was sold.

For the year under review, a revenue of HK\$515 million was recognized as compared to HK\$535 million in the same period last year and contribution to profit decreased from HK\$199 million of last year to HK\$170 million. The Group is confident that it can maintain its sale pace and price for the remaining units which are of high quality and unique design.

The Pinnacle

The site in Shenyang is located at Huanggu District with a site area of about 41,209 sqm and a GFA of about 165,000 sqm. The Pinnacle will comprise of both residential and commercial development. Construction works to the residential towers have commenced. All blocks (except for Towers 7 and 8) will be topped out by the end of 2014. The Group expects to commence presale in the financial year of 2015 — 2016, subject to market conditions.

Property Investment and Management

In order to achieve higher returns, the Group has undertaken renovation works in phases to enhance the quality of its investment properties in Shanghai, China Garden and Aidu Apartment, since October 2013. During the period under review, the tenants had been gradually vacated to facilitate the renovation works. Turnover of the property investment division decreased to HK\$13 million while the overall valuation increased by HK\$45 million. Following completion of the renovation works in the second half of 2014, it is expected that these investment properties in Shanghai will provide steady recurrent income to the Group.

PROSPECTS

The Group expects Hong Kong's foundation piling industry to stay healthy in the next few years. This is driven by strong construction activities in both public and private sectors. In the fiscal year 2014-15, the government's capital spending on infrastructure is estimated to reach HK\$78 billion; this represents a year-on-year increase of 2%, and 22% above the 5-year average. The government has also increased the supply of residential land, which has led to an increase in private-sector developments. Major infrastructure projects and land development projects being undertaken or planned include Kai Tak Development Area, the Kwun Tong Line Extension, the Central Kowloon Route, the Tseung Kwan O-Lam Tin Tunnel and the Tseung Kwan O Cross Bay Link, the construction or redevelopment of various hospitals, and the Third Runway. The Group is well positioned to benefit from these developments.

As of 31 March 2014, the business of the Group's foundation division remains healthy. With the contracted works in the pipeline, it is expected that the division will continue to yield profits in the new financial year.

In China, we see a slowdown in the property sector. However, the Group believes that the impact will be less pronounced in city-centre locations (such as our Shanghai and Tianjin projects). In addition, our product offers unique value proposition to our potential customers, which we believe will allow us to withstand price competition from our competitors.

The Group will adopt a prudent investment and financing strategy and continue to strive for improvement, strengthen its efficiency and seek opportunities to maximize the interests of all shareholders.

After the general offer made by Tides Holdings II Ltd. became unconditional on 3 January 2014, the Company has become a subsidiary of The Blackstone Group L.P. and its affiliates. The Group will continue to focus on its principal businesses, being property development, property investment and management, and foundation piling.

FINANCIAL REVIEW

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 March 2014, the Group's cash on hand was approximately HK\$1,551 million (31 March 2013: HK\$1,079 million) while total assets and net assets (after deducting noncontrolling interests) were approximately HK\$5,277 million (31 March 2013: HK\$5,074 million) and HK\$2,482 million (31 March 2013: HK\$2,339 million), respectively. As at 31 March 2014, the Group's working capital amounted to HK\$1,538 million and total bank borrowings amounted to HK\$586 million. As at 31 March 2014, the Group did not have any net debt balance¹ and recorded a net cash balance² of HK\$965 million, while the Group recorded a net cash balance HK\$243 million as at 31 March 2013. Contingent liabilities in relation to guarantees of performance bonds increased from HK\$378 million as at 31 March 2013 to HK\$533 million as at 31 March 2014. Certain of the Group's assets with a book value of approximately HK\$222 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were mostly denominated in Hong Kong dollars, with a few loan facilities in Euro and Yen. Currency exposure has been monitored and forward contracts will be considered when the need arises.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 1,448 employees as at 31 March 2014. 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 to the terms of the Group's approved share option scheme.

¹ *Net debt balance = total bank borrowings minus total of time deposits, restricted cash and cash and bank balances*

² *Net cash balance = total of time deposits, restricted cash and cash and bank balances minus total bank borrowings*

(ii) For the year ended 31 March 2015

BUSINESS REVIEW

Hong Kong Market

Foundation Piling

Turnover of the Group's foundation division increased by 52% to HK\$3,752 million for the year under review. Its net contribution increased by 1.7 times to HK\$321 million as compared to HK\$189 million last year, driven by increased construction activities and public spending on infrastructure. The Group's major contracts on hand include, inter alia, the Passenger Clearance Building for the HK-Zhuhai-Macau Bridge, public housing developments in Tung Chung Area 39, Pak Tin Estates, Kai Tak and the former Wholesale Food Market at Cheung Sha Wan, private residential developments in Kai Tak, Tseung Kwan O, and Kwun Tong and commercial development in Wong Chuk Hang and Quarry Bay. EBITDA for the foundation piling segment increased by 56%, from HK\$245 million to HK\$381 million for the year under review. The overall EBITDA margin for the segment remained at 10% as per last year.

PRC Market

Property Development

The Waterfront

During the year under review, the Group's residential project in Shanghai, The Waterfront, recognized a revenue of HK\$569 million as compared to HK\$449 million in the same period last year and contribution to profit of HK\$414 million (2014: HK\$258 million).

The unsold area of The Waterfront as at 31 March 2015 is outlined below:

- Residential: about 6,100 sqm;
- Car Park: about 73 car park units;
- Non-Residential: about 4,800 sqm, representing primarily street front retail shops and a historic building.

The residential market sentiment has improved after the Chinese government relaxed the tightening policies in early 2015. The Waterfront is a unique development and the remaining inventory is relatively small. We expect the price of the remaining units to escalate due to limited supply.

The Riverside

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

For the year under review, a revenue of HK\$418 million was recognized as compared to HK\$515 million in the same period last year and contribution to profit decreased from HK\$199 million of last year to HK\$166 million. The Group is confident that The Riverside can maintain the sales velocity and price of the remaining units which are of high quality and unique design.

The unsold area of The Riverside as at 31 March 2015 is outlined below:

- Residential: about 25,500 sqm;
- Car Park: about 165 car park units;
- Non-Residential: about 3,900 sqm, representing primarily street front retail shops and The Riverside's clubhouse.

The Pinnacle

The site in Shenyang is located at Huanggu District with a site area of about 41,209 sqm and a GFA of about 165,000 sqm. The Pinnacle comprises of both residential and commercial development. Construction works are in progress and will be completed in mid-2016 as scheduled. With the opening of the Sales Office on 1 May 2015, the Group expects to commence presales in the financial year of 2015 - 2016, subject to market conditions.

EBITDA for the property development segment increased by 34%, from HK\$449 million to HK\$603 million for the year under review. The overall EBITDA margin increased by 15% from 46% to 61% for the year ended 31 March 2015.

Property Investment and Management

Since the completion of the renovation works in mid-2014, the Group's investment properties in Shanghai have continued to provide steady recurring income. During the period under review, turnover of the property investment division maintained at HK\$13 million.

PROSPECTS

The Group expects Hong Kong's foundation piling industry to stay healthy in the next few years. This is driven by strong construction activities in both public and private sectors. For the fiscal year 2015-16, the government's capital spending on infrastructure is estimated to reach about HK\$76 billion; this represents about 13% above the 5-year average. The government has carried out land use reviews continuously on sites available for residential use and increased the land supply to cope with the overwhelming housing needs, resulting in a marked increase in both public and private housing development activities. Major infrastructure projects and land development projects being undertaken or planned include the revitalization of Kowloon East, development of Tung Chung New Town Extension, East Lantau Metropolis, Kai Tak Fantasy project and implementing new railway projects. The Group is well-positioned to benefit from the high level of construction activities while maintaining its leading market position in Hong Kong.

While the Group's foundation business has performed very well in the past financial year, challenges remain with continuing cost inflation and increasingly competitive market landscape. However, with the current works in the pipeline, and barring any unforeseen circumstances, it is expected that the division will continue to yield profits in the current financial year.

In China, the overall property market sentiment has improved significantly subsequent to the PRC government's announcement to support the property market in early March 2015. The new policies on mortgages and the housing provident fund for first and second home buyers, the lowering of interest rates and bank's reserve requirement ratio, and the lifting of business tax on the sale of units purchased for more than two years, have stimulated demand in the market. In addition, our product offers a unique value proposition to our potential customers, which will be beneficial to our residential sales campaigns.

The Group will maintain a prudent investment and financing strategy and continue to strengthen its efficiency and seek opportunities to maximize the interests of its shareholders.

FINANCIAL REVIEW

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 March 2015, the Group's cash on hand was approximately HK\$1,311 million (31 March 2014: HK\$1,551 million) while total assets and net assets (after deducting noncontrolling interests) were approximately HK\$5,568 million (31 March 2014: HK\$5,277 million) and HK\$2,742 million (31 March 2014: HK\$2,482 million), respectively. As at 31 March 2015, the Group's working capital amounted to HK\$1,100 million and total bank borrowings amounted to HK\$368 million. As at 31 March 2015, the Group did not have any net debt balance⁽¹⁾ and recorded a net cash balance⁽²⁾ of HK\$944 million, while the Group recorded a net cash balance HK\$965 million as at 31 March 2014. Contingent liabilities in relation to guarantees of performance bonds decreased from HK\$533 million as at 31 March 2014 to HK\$417 million as at 31 March 2015. Certain of the Group's assets with a book value of approximately HK\$183 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were primarily denominated in Hong Kong dollars, with a few loan facilities in Euro. Currency exposure has been monitored and forward contracts will be considered as required.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 1,518 employees as at 31 March 2015. 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 to the terms of the Group's approved share option scheme.

(iii) For the year ended 31 March 2016

BUSINESS REVIEW

Hong Kong Market

Foundation Piling

Turnover of the Group's foundation division decreased by 20% to HK\$3,018 million for the year under review. Its net contribution increased by 22% to HK\$394 million as compared to HK\$321 million last year, driven by increased construction activities and public spending on infrastructure. The Group's major contracts on hand include, inter alia, the Passenger Clearance Building for the HK-Zhuhai-Macau Bridge, public housing developments in Pak Tin Estates and Wong Tai Sin, private residential developments in Tseung Kwan O and North Point, and commercial developments in Wong Chuk Hang, Kwun Tong, Pak Shek Kok and Yuen Long. EBITDA for the foundation piling segment increased by 19%, from HK\$381 million to HK\$455 million for the year under review. The overall EBITDA margin for the segment increased by 5% to 15% for the year ended 31 March 2016.

PRC Market

Property Development

The Waterfront

During the year under review, the Group's residential project in Shanghai, The Waterfront, recognised a revenue of HK\$466 million as compared to HK\$569 million in the same period last year and contribution to profit of HK\$302 million (2015: HK\$414 million).

The unsold area of The Waterfront as at 31 March 2016 is outlined below:

- Residential: about 1,000 sqm;
- Car Park: about 31 car park units;
- Non-Residential: about 4,800 sqm, representing primarily street front retail shops and a historic building.

At the end of March 2016, the Shanghai Government issued tightening policies to cool the overheated property market, including raising the minimum down-payment for the second home purchase with unit size below 140 square meters and tightening the qualifications threshold for non-local buyers to purchase home. The residential market remains stable after the introduction of these tightening policies. With a relatively small inventory in an unique development, we do not expect these Government policies would to be an additional significant challenge.

The Riverside

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

For the year under review, a revenue of HK\$488 million was recognised as compared to HK\$418 million in the same period last year and contribution to profit increased from HK\$166 million of last year to HK\$228 million.

The unsold area of The Riverside as at 31 March 2016 is outlined below:

- Residential: about 7,600 sqm;
- Car Park: about 164 car park units;
- Non-Residential: about 3,900 sqm, representing primarily street front retail shops and The Riverside's clubhouse.

The market sentiment of the high-end market in Tianjin was positive in the beginning of 2016. Buyers' confidence was strong due to the supportive policies rolled out by the Central Government for the real estate market. The rising demand for the first-time home buyers and upgraders helped to maintain a positive market sentiment in the first quarter of 2016.

The Pinnacle

The site in Shenyang is located at Huanggu District with a site area of about 41,209 sqm and a GFA of about 165,000 sqm. The Pinnacle comprises both residential and commercial development. Pre-sale of the residential units started in the second half of 2015 and construction works are expected to be completed around mid 2016. The first batch of the sold units is expected to be handed over starting from September 2016.

The unsold area of The Pinnacle as at 31 March 2016 is outlined below:

- Residential: About 96,200 sqm;
- Car Park: About 1,049 car park units;
- Non-Residential: About 62,665 sqm, representing primarily street front retail shops, The Pinnacle's clubhouse, and a commercial building with a podium.

EBITDA for the property development segment decreased by 12%, from HK\$603 million to HK\$528 million for the year under review. The overall EBITDA margin decreased by 6% to 55% for the year ended 31 March 2016.

The confidence of the buyers was strengthened by the positive sentiment of the new home market across the country and supportive policies for the housing market. The Shenyang Government rolled out a series of supportive policies at the end of March 2016 to stimulate the demand for new homes, such as relaxation of using housing provident fund for home purchase, reduction of deed tax and provision of subsidies to the current students of universities and secondary vocational schools as well as the fresh graduates for home purchase.

Property Investment and Management

The Group has realized some of its investment properties and turnover of the property investment division increased from HK\$13 million of last year to HK\$26 million during the year under review. Disposal of the service apartment business at Aidu Apartment and China Garden in Shanghai were completed in December 2015 and in February 2016 respectively.

PROSPECTS

The Board notes that, in the joint announcement dated 19 April 2016 (“Joint Announcement”), HNA Finance I Co., Ltd. (“HNA Finance I”) and the Company jointly announced that HNA Finance I has entered into an agreement with Tides Holdings II Ltd. to acquire approximately 66% of the issued shares of the Company (“Tides Transaction”). It was stated in the Joint Announcement that upon completion of the Tides Transaction, HNA Finance I will become the controlling shareholder of the Company. It was also stated that HNA Finance I intends that the Group will continue with the Group’s existing businesses and that subject to market conditions, HNA Finance I also intends to provide funds, personnel, technology and other resources to support the Group’s investment in and development of new projects, and raise the number of projects, asset value and brand recognition to a higher level, including by actively seeking potential business investment and development projects in the PRC and overseas. HNA Finance I also stated that it has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment. For further details, please refer to the Joint Announcement, the announcements and/or joint announcements (collectively, the “Announcements”) of the Company to be made following completion of the Tides Transaction, and the composite offer document relating to the mandatory unconditional cash offer to be made by HNA Finance I (“Composite Offer Document”) to be despatched within 7 days from the completion of the Tides Transaction.

With the recent decision by the United Kingdom to exit European Union (“Brexit”), the Group does not expect there is any immediate impact on its operations, but it will review the effect of the “Brexit” closely.

The Group will maintain a prudent investment and financing strategy and continue to strengthen its efficiency and seek opportunities to maximize the interests of its shareholders.

FINANCIAL REVIEW

The Group continues to adopt a prudent financing policy and sustain a sound capital structure with healthy cashflow. As at 31 March 2016, the Group’s cash on hand was approximately HK\$1,806 million (31 March 2015: HK\$1,311 million) while total assets and net assets (after deducting noncontrolling interests) were approximately HK\$5,608 million (31 March 2015: HK\$5,568 million) and HK\$2,688 million (31 March 2015: HK\$2,742 million), respectively. As at 31 March 2016, the Group’s working capital amounted to HK\$3,013 million and total bank borrowings amounted to HK\$857 million. As at 31 March 2016, the Group did not have any net debt balance⁽¹⁾ and recorded a net cash balance⁽²⁾ of HK\$949 million, while the Group recorded a net cash balance HK\$944 million as at 31 March 2015. Contingent liabilities in relation to guarantees of performance bonds decreased from HK\$417 million as at 31 March 2015 to HK\$195 million as at 31 March 2016 while guarantees

for end user mortgage loans amounted to HK\$14 million. Certain of the Group's assets with a book value of approximately HK\$175 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings were primarily denominated in Hong Kong dollars, with a few loan facilities in Euro. Currency exposure has been monitored and forward contracts will be considered as required.

EMPLOYMENT AND REMUNERATION POLICIES

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 1,348 employees as at 31 March 2016. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance to the terms of the Group's approved share option scheme.

ACQUISITION OF CONTROLLING INTEREST AND MANDATORY UNCONDITIONAL CASH OFFER

The Company has been informed that HNA Finance I intends to complete the Tides Transaction on 30 June 2016. Upon completion of the Tides Transaction, HNA Finance I will become the controlling shareholder of the Company.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, following the completion of the Tides Transaction, HNA Finance I will be required to make a mandatory unconditional general offer in cash for all the issued shares of the Company other than those already owned or agreed to be acquired by HNA Finance I and its concert parties upon completion of the Tides Transaction. For details, please refer to the Joint Announcement, the Announcements and the Composite Offer Document.

(iv) **For the six months ended 30 September 2016**

BUSINESS REVIEW

Foundation Piling

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

Property Development***The Waterfront in Shanghai***

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

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

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

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

The Riverside in Tianjin

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

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

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

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

The Pinnacle in Shenyang

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

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

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

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

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

Property Investment and Management

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

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

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

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

Share Placement

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

PROSPECTS

The Government intends to supply up to 460,000 public and private units as the housing supply target for the coming 10 years, which is expected to support demand for services from the construction industry in the medium term. There is also a strong demand for professional and infrastructure services

from the regions along the “One Belt One Road”. The competition in the Hong Kong’s foundation piling industry is expected to remain keen in the near future due to the growing number of market players. The Group expects that the profit margins for the Hong Kong foundation piling and construction businesses as a whole would be negatively affected by market factors such as labour shortages, rising operating costs and intensified competitions. Based on the tenders it has submitted after 31 March 2016, being its most recent financial year end, it has been observed by the Group that successful tenders for the Group or others have been achieved at levels of decreased profit margins as compared to the average profit margin achieved by the Group for the most recent financial year ended 31 March 2016 and this trend could continue in the near future.

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

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

FINANCIAL REVIEW

The Group continues to adopt a prudent financial policy and sustain a sound capital structure with healthy cashflow. As at 30 September 2016, the Group’s cash on hand was approximately HK\$2,008 million (31 March 2016: HK\$1,806 million) while total assets and net assets (after deducting non-controlling interests) were approximately HK\$5,709 million (31 March 2016: HK\$5,608 million) and HK\$2,702 million (31 March 2016: HK\$2,688 million), respectively. As at 30 September 2016, the Group’s working capital amounted to HK\$2,656 million (31 March 2016: HK\$3,013 million) and total bank borrowings amounted to HK\$566 million. As at 30 September 2016, the Group did not have any net debt balance⁽¹⁾ and recorded a net cash balance⁽²⁾ of HK\$1,442 million, while the Group recorded a net cash balance of HK\$949 million as at 31 March 2016. Contingent liabilities in relation to guarantees of performance bonds increased from HK\$195 million as at 31 March 2016 to HK\$357 million as at 30 September 2016 while guarantees for end user mortgage loans amounted to HK\$27 million (31 March 2016: HK\$14 million). Certain of the Group’s assets with a book value of approximately HK\$171 million have been pledged to secure certain banking facilities of the Group. The Group’s bank borrowings were denominated in Hong Kong dollars. Currency exposure has been monitored and forward contracts will be considered when the need arises.

EMPLOYMENT AND REMUNERATION POLICIES

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

ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

On 19 April 2016, the Company, Fortunate Pool and Mr. Fung entered in to a sales and purchase agreement, pursuant to which the Company agreed to purchase and Fortunate Pool agreed to sell 40% equity interest in TFHK. Fortunate Pool was the non-controlling shareholder of 40% issued shares of TFHK.

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

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

3. INDEBTEDNESS

As at 31 January 2017, being the latest practicable date for the purpose of preparation of this statement prior to the publication of this circular, the Group had bank and an other borrowings amounting to approximately HK\$614,959,000 and HK\$454,520,000, respectively, details of which are as follows:

The following table illustrates the Group's indebtedness as at 31 January 2017:

| | <i>HK\$'000</i> |
|---|-----------------|
| Bank borrowings | |
| <i>Current</i> | |
| Bank loans, unsecured | 263,522 |
| Installment loan, secured | <u>4,309</u> |
| | <u>267,831</u> |
| <i>Non-Current</i> | |
| Bank loans, unsecured | 272,770 |
| Installment loan, secured | <u>74,358</u> |
| | <u>347,128</u> |
| Total | <u>614,959</u> |
| Other borrowing | |
| <i>Current</i> | |
| Loan from an intermediate holding company | <u>454,520</u> |

As at 31 January 2017, the Group's bank borrowings were secured by certain of the Group's land and buildings with carrying amounts of approximately HK\$168,413,000. All bank borrowings were supported by corporate guarantees from the Company and certain subsidiaries of the Company, respectively. Mr. Fung, who is a beneficial shareholder of certain subsidiaries of the Company through Fortunate Pool, also provided personal guarantees in respect of borrowing facilities granted to these subsidiaries.

The Group's gearing ratio, calculated on the basis of total bank borrowings divided by Shareholders' equity, was 22% as at 31 March 2014, 13% as at 31 March 2015, 31% as at 31 March 2016 and 21% as at 30 September 2016.

4. CONTINGENT LIABILITIES

As at 31 January 2017:

- (a) the Group provided guarantees to certain banks in respect of performance bonds granted to certain subsidiaries of approximately HK\$328,916,000;

- (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\$50,054,000; and
- (c) the Company provided guarantees to certain banks in connection with general credit facilities granted to its certain subsidiaries in an aggregate amount of approximately HK\$1,051,856,000.

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, charges or loans or hire purchase commitments guarantees or other contingent liabilities as at the close of business on 31 January 2017.

5. WORKING CAPITAL

In accordance with the terms of the Bank Loan Agreement, Top Genius is required to ensure participating banks take up the relevant rights and obligations in connection with 50% of the Bank Loan, amounting to HK\$1,301,000,000, transferred from Shanghai Commercial Bank Limited (the “**Transfer**”) and such Transfer should be completed within three months from the date of the Bank Loan Agreement (i.e. by 20 May 2017). As at the Latest Practicable Date, the Group has identified a potential participating bank which intends to take up certain portion of the Bank Loan, amounting to approximately HK\$1,000,000,000 (the “**Transfer Loan**”). The potential participating bank is currently obtaining internal approval of such transaction. If the potential participating bank is not able to obtain internal approval to take up the Transfer Loan, Top Genius will be required to repay such amount to Shanghai Commercial Bank Limited such that the total loan from Shanghai Commercial Bank Limited will be no more than HK\$1,300,000,000. Based on discussions so far, the Directors are confident that the transfer of rights and obligations of the Transfer Loan will be effected in accordance with the Bank Loan Agreement. In the event that alternative financing is required, the Company will seek out such third party financing and/or the continued support of the Controlling Shareholder. Regarding the remaining portion of the Bank Loan, amounting to approximately HK\$300,000,000 (the “**Non-transferred Loan**”) required to be transferred, the Directors are in negotiations with Shanghai Commercial Bank Limited to take up such amount such that the total amount borrowed from Shanghai Commercial Bank Limited will be HK\$1,601,000,000. If Shanghai Commercial Bank Limited is not able to obtain internal approval to take up the additional HK\$300,000,000, the Group will repay the Non-transferred Loan in May 2017 from its internal resources. Accordingly, the sufficiency of working capital of the Group in the next 3 months from the date of this circular is dependent on the successful conclusion of the Transfer Loan.

In addition, according to the Bank Loan Agreement, the Bank Loan will be due in February 2018. Accordingly, the sufficiency of working capital of the Group in the next 12 months from the date of this circular is dependent on the successful refinancing of the Bank Loan. The Directors are also confident that the Group will be able to obtain refinancing before final maturity date of the Bank Loan.

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account (i) the completion of the Acquisition; (ii) the Group's internal resources; (iii) the Shareholder's Loan; (iv) the loan facilities presently available to the Group, the expected transfer of the rights and obligations of the Transfer Loan to the potential participating bank, and the expected refinancing of the existing banking facilities upon their maturities, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that save for the following matters, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2016, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date:

- (a) the Group's net assets were reduced by HK\$836.79 million after payment of the consideration of HK\$732.19 million under phase 1 of the Foundation Transaction on 4 July 2016 and recorded the consideration of HK\$104.60 million for phase 2 of the Foundation Transaction (which is expected to take place on or before 30 June 2017) as other payable;
- (b) the Group's net assets were decreased by HK\$192.41 million after payments under the Management Incentive Scheme on 30 June 2016, being the completion date of the Tides Transaction;
- (c) it does not expect a gain on disposal of subsidiaries of approximately HK\$126 million which occurred during the year ended 31 March 2016 to recur during the period ended 31 December 2016; and (ii) in view of an amount of approximately HK\$197.98 million paid under the Management Incentive Scheme after completion of the Tides Transaction which took place on 30 June 2016, of which approximately HK\$192.41 million would be charged to the consolidated statement of profit or loss for the period ended 31 December 2016, there was a significant and negative impact on the Group's financial results for the six months ended 30 September 2016 and the period ended 31 December 2016;
- (d) the profit margins for the Hong Kong foundation piling and construction businesses as a whole have been negatively affected by reduced profit margins given market factors such as labour shortages, rising operating costs and intensification of competition since 31 March 2016 and up to the Latest Practicable Date. Based on the tenders it has submitted after 31 March 2016, being its most recent financial year end, it has been observed by the Group that successful tenders for the Group or others have been achieved at levels of decreased profit margins as compared to the average profit margin achieved by the Group for the most recent financial year ended 31 March 2016 and this trend is expected to affect the Group's financial results for the financial year ending 31 December 2017; and
- (e) construction of the property development project in Shenyang was substantially completed in September 2016, and hand over of some units previously sold commenced. Since September 2016, the Group continued to hand over sold units. Revenue and gross profits from the sale of the properties are only recognised upon delivery. Based on delivery of units

which, as at end of February 2017, represented approximately 31% of all residential units in the development, the profit margins from the Shenyang development has remained relatively stable since September 2016. Notwithstanding, turnover and profits in the property development segment of the Group for the year ended 31 March 2016 was contributed by sales of properties of developments in Shanghai and Tianjin, which are first tier cities in the PRC. For the period since 31 March 2016, a greater proportion of the revenue was contributed by the sale of properties in Shenyang and conversely, the aggregate contribution from Shanghai and Tianjin decreased, as the remaining number of units available for sale after 31 March 2016 in Shanghai and Tianjin were limited. The profit margins from sale of properties in Shanghai and Tianjin are higher than those recorded from the sale of properties in the Shenyang development. Overall, the profit margin for the property development segment (and therefore overall profit), is expected to decrease for the period ended 31 December 2016.

The Company has funded the payment of the consideration of the Foundation Transaction and payments under the Management Incentive Scheme out of the internal resources of the Group. The Company had sufficient cash and bank balances and funds in short term time deposits to satisfy both payments.

7. PROSPECTS OF THE GROUP

In respect of the foundation piling and construction business, the competition is expected to remain keen in the near future due to the growing number of market players and reduced available projects. The profit margins as a whole have been negatively affected by reduced profit margins given market factors such as labour shortages, rising operating costs and intensification of competition since 31 March 2016 and up to the Latest Practicable Date. Based on the tenders it has submitted after 31 March 2016, being its most recent financial year end, it has been observed by the Group that successful tenders for the Group or others have been achieved at levels of decreased profit margins as compared to the average profit margin achieved by the Group for the most recent financial year ended 31 March 2016 and this trend is expected to affect the Group's financial results for the financial year ending 31 December 2017.

In respect of the property development business in the PRC, the overall property market sentiment improved significantly in the first quarter of 2016 due to a slew of relaxation policies rolled out by the Central Government to support the property market, given that a reduction in housing inventories was set as one of the five major tasks in 2016 for the Central Government. The relaxation measures boosted the confidence of buyers. Though the overall market sentiment in China has weakened since October 2016 due to the re-introduction of austerity measures in more than 20 cities to stabilize the residential market, sales of our remaining residential properties is expected to remain steady due to uniqueness of our products in terms of quality and value. Construction of the property development project in Shenyang was substantially completed in September 2016, and hand over of some units previously sold commenced. Since September 2016, the Group continued to hand over sold units. Revenue and gross profits from the sale of the properties are only recognised upon delivery. Based on delivery of units which, as at end of February 2017, represented approximately 31% of all

residential units in the development, the profit margins from the Shenyang development has remained relatively stable since September 2016. By way of background, the profit margins from sale of properties of the Shenyang development are not as high as those of the Group's development projects in Shanghai and Tianjin, which are first tier cities in the PRC.

In respect of the property development business in Hong Kong, the HK Government intends to supply up to 460,000 public and private units as the housing supply target for the coming 10 years, which is expected to support demand for services from the construction industry in the medium term. There is also a strong demand for professional and infrastructure services from the regions along the "One Belt One Road". The Group will explore more property development opportunities in Hong Kong and consider the viability of each project on its own merits with reference to the prevailing market conditions.

The Group will continue with its existing businesses, being foundation piling and site investigation, property development, and property investment and management. It will also continue to maintain a prudent investment and financing strategy and strive to strengthen its efficiency, while seeking opportunities to maximize the return to its shareholders. It will also continue to explore suitable business opportunities for its future development, including leveraging on synergies with its shareholder(s), to enhance the long-term growth potential of the Group. As at the Latest Practicable Date and save for sales of its property developments and other transactions in the ordinary and usual course of business and as otherwise disclosed by the Group, the Company had not identified any potential targets and had no agreement, arrangement, understanding or negotiation on any potential acquisition, and had no plan, arrangement, understanding, intention, negotiation (either concluded or in process) on any disposal or scale down of existing assets or business of the Group.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(a) Interests and short positions of the Directors and chief executive in the Company and its associated corporations

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

Interests in associated corporations of the Company

| Name of Director | Name of associated corporation | Number of ordinary shares held | Nature of interest | Percentage of the associated corporation's share capital (%) |
|------------------|--------------------------------|--------------------------------|--------------------|--|
| Mr. Fung | TFHK | 5 ⁽¹⁾ | Corporate | 5 |

Note:

- (1) These shares in TFHK were held by Fortunate Pool, a company which was wholly-owned by Mr. Fung as at the Latest Practicable Date.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, so far as is known to the Directors, the persons (other than a Director and chief executive of the Company) or entities who had or were deemed or taken to have an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the

SFO or which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or in any options in respect of such share capital were as follows:

Interests in Shares and underlying Shares

| Name | Capacity | Number of Shares held | Percentage of issued share capital of the Company (%) |
|---|------------------------------------|-----------------------|---|
| Hainan Province Cihang Foundation ⁽¹⁾ | Interest of controlled corporation | 755,862,228 | 66.64 |
| Hainan Traffic Administration Holding Co., Ltd. ⁽¹⁾ | Interest of controlled corporation | 755,862,228 | 66.64 |
| Tang Dynasty Development (Yangpu) Company Limited ⁽¹⁾ | Interest of controlled corporation | 755,862,228 | 66.64 |
| HNA Group Co., Ltd. ⁽¹⁾ | Interest of controlled corporation | 755,862,228 | 66.64 |
| HNA Finance I | Beneficial owner | 755,862,228 | 66.64 |
| Blackstone Group Management L.L.C. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| Blackstone Holdings IV GP L.P. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| Blackstone Holdings IV GP Management (Delaware) L.P. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| Blackstone Holdings IV GP Management L.L.C. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| Blackstone Holdings IV L.P. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| Blackstone Real Estate Associates Asia-NQ L.P. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| Blackstone Real Estate Partners Asia Holding (NQ) L.P. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |

| Name | Capacity | Number of Shares held | Percentage of issued share capital of the Company (%) |
|---|------------------------------------|-----------------------|---|
| Blackstone Real Estate Partners Asia-NQ L.P. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| BREP Asia Holdings (NQ) Pte. Ltd. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| BREP Asia-NQ L.L.C. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| Schwarzman Stephen A. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| The Blackstone Group L.P. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| Tides Holdings I Ltd. ⁽²⁾ | Interest of controlled corporation | 78,719,931 | 6.94 |
| Tides Holdings II | Beneficial owner | 78,719,931 | 6.94 |
| China State Construction Engineering Corporation ⁽³⁾ | Interest of controlled corporation | 57,000,000 | 5.03 |
| China State Construction Engineering Corporation Limited ⁽³⁾ | Interest of controlled corporation | 57,000,000 | 5.03 |
| CSCEC Capital (Hong Kong) Limited | Beneficial owner | 57,000,000 | 5.03 |
| 北京市國有資產監督管理委員會 ⁽⁴⁾ | Interest of controlled corporation | 57,000,000 | 5.03 |
| 中國交通建設股份有限公司 ⁽⁵⁾ | Interest of controlled corporation | 57,000,000 | 5.03 |
| China Railway Construction Corporation Limited ⁽⁶⁾ | Interest of controlled corporation | 57,000,000 | 5.03 |
| China Railway Construction Corporation ⁽⁶⁾ | Interest of controlled corporation | 57,000,000 | 5.03 |
| Central Huijin Investment Ltd. ⁽⁷⁾ | Security interest in Shares | 135,000,000 | 11.90 |

| Name | Capacity | Number of Shares held | Percentage of issued share capital of the Company (%) |
|--|-----------------------------|-----------------------|---|
| China Construction Bank Corporation ⁽⁷⁾ | Security interest in Shares | 135,000,000 | 11.90 |

Notes:

- (1) These parties were deemed to have interests in 755,862,228 Shares by virtue of their equity interests in HNA Finance I.
- (2) These parties were deemed to have interests in 78,719,931 Shares by virtue of their equity interests in Tides Holdings II.
- (3) These parties were deemed to have interests in 57,000,000 Shares by virtue of their equity interests in CSCEC Capital (Hong Kong) Limited, the subscriber of 57,000,000 Shares under a subscription agreement dated 22 August 2016.
- (4) This party was deemed to have interests in 57,000,000 Shares by virtue of its equity interests in BCEGI (Hong Kong) Company Limited, the subscriber of 57,000,000 Shares under a subscription agreement dated 22 August 2016.
- (5) This party was deemed to have interests in 57,000,000 Shares by virtue of its equity interest in Hong Kong Marine Construction Limited, the subscriber of 57,000,000 Shares under a subscription agreement dated 22 August 2016.
- (6) These parties were deemed to have interests in 57,000,000 Shares by virtue of their equity interests in CRCC Hong Kong Development Limited, the subscriber of 57,000,000 Shares under a subscription agreement dated 9 September 2016.
- (7) These parties were deemed to have interests in 135,000,000 Shares by virtue of their equity interests in CCB International Overseas Limited.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director and chief executive of the Company) had or was deemed or taken to have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

3. SERVICE CONTRACTS

As a result of the Foundation Transaction, on 4 July 2016, the Company and TFHK entered into a service agreement with Mr. Fung, pursuant to which Mr. Fung was appointed as the chief executive officer and an executive Director of the Company and would, subject to the terms of the service agreement, remain as a director of TFHK for a period of 18 months after 4 July 2016 (or for such longer period as Mr. Fung and the Company may agree). Under the service agreement, Mr. Fung is entitled to a monthly salary of HK\$747,500, representing an increase of 15% as compared with his emoluments in effect on 1 April 2016. Subject to Mr. Fung remaining as an employee of the Company or there not having been any notice of termination of employment served on Mr. Fung, Mr. Fung will be entitled to receive a bonus for the calendar year ending 31 December 2016 in the sum of HK\$13,800,000 and a discretionary bonus for the calendar year ending 31 December 2017. Mr. Fung is also entitled to staff quarters at the cost of the Company during his employment and use of a company car, as well as participation in incentive plans as may be adopted by the Company or any member of the Group from time to time and in the Group's medical insurance scheme. Save as set out above, the terms of appointment of Mr. Fung by the Group remain largely the same.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of any compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTERESTS

Save for Mr. Fung's interest in the Foundation SPA, since 31 March 2016, being the date to which the latest published audited accounts of the Company were made up, no Director was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group, and no Director was interested in any assets which have been acquired or disposed of by or leased to (or are proposed to be acquired or disposed of by or leased to) any member of the Group since the date of the latest published audited accounts of the Company.

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

5. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance was pending or threatened by or against the Company or any other member of the Group.

6. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the Latest Practicable Date and which are material:

- (a) the Foundation SPA dated 19 April 2016 entered into among the Company as purchaser, Fortunate Pool as vendor and Mr. Fung as a guarantor in relation to the obligations, commitments and undertakings of Fortunate Pool under the Foundation SPA for an aggregate consideration of HK\$836,790,400;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) the subscription agreement dated 5 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 深圳市特藝達裝飾設計工程有限公司 (Shenzhen Terart Decoration Design Engineering Co., Ltd.)) as subscriber in relation to the subscription for 10,500,000 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 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;
- (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 蘇州金螳螂企業(集團)有限公司 (Suzhou Gold Mantis Corporation (Group) 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 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; and

- (i) the shareholder loan agreement dated 20 February 2017 entered into among the Company as borrower and the Controlling Shareholder I as lender in relation to an interest free unsecured loan of HK\$2,750,000,000.

7. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong.
- (c) The Company Secretary of the Company is Ms. Wong Suk Han, Kitty. She is a Solicitor qualified to practice in Hong Kong and a member of The Law Society of Hong Kong.
- (d) The branch share register of the Company in Hong Kong is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over its Chinese text in the case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours from 9:00 a.m. to 5:30 p.m. (save for Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at 20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 March 2016;
- (c) the material contracts referred to in paragraph 6 of this Appendix II;
- (d) the circular dated 23 May 2016 in respect of the acquisition of 40% of the issued shares in TFHK; and
- (e) this circular.